STATEMENT OF ACCOUNTS 2010-11

Contents

Explanatory Foreword

1. **Introduction**

The purpose of the Statement of Accounts is to summarise the financial performance for the 2010/11 financial year and the overall financial position of the Council. This foreword aims to give a general guide to the main features of the financial statements which follow; it provides a summary explanation of the council's financial position and highlights some of the more significant matters that have determined this position.

The Council has already produced an annual report for the 2010/11 financial year with the aim of reviewing the service activity and achievement of the council for the year and it includes budgeted expenditure and related expenditure on services funded from council tax. This Statement of Accounts fulfils a different purpose and reports actual income and expenditure on service provision for the year, and the value of the council's assets and liabilities at the end of the financial year, in accordance with proper accounting practices (as defined in the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11).

The 2010/11 accounts represent the first set of accounts that have been prepared on an International Financial Reporting Standards (IFRS) basis. The move from a UK Generally Accepted Accounting Practice (UK GAAP) basis represents a significant change to accounting policies. While these changes have a large impact on the content, format and terminology used in these accounts, they are technical accounting changes that do not have a material practical effect on the financial performance of the council.

2. **Statements**

The Chartered Institute of Public Finance and Accountancy (CIPFA), the International Accounting Standards Board and the Government regulate the framework within which this Statement of Accounts are prepared and published. Whilst the accounting arrangements of any large organisation such as Surrey County Council are complex, as is local government finance, these accounts are presented as simply as possible whilst recognising that it is necessary for some technical terminology to be used. To help you understand the accounts, various disclosure notes support the main statements and a glossary of terms used is shown on pages X to X.

The accounting statements that follow this foreword comprise:

- **Movement in Reserves Statement**
  This statement shows the movement during 2010/11 on the different reserves held by the authority. The total movement in the authority's reserves during 2010/11 is £460.3m (although only £46m of this movement relates to cash backed reserves)

- **Comprehensive Income & Expenditure Account**
  The surplus on the provision of services of £168m shows the accounting cost of providing the authority's services during 2010/11 in accordance with accounting practices. This is different from the statutory amount required to be raised from taxation to cover expenditure.

- **Balance Sheet**
  The balance sheet shows the value of the assets and liabilities recognised. These equated to £136.9m at the 31 March 2011 and are matched by the reserves held by the council.

- **Cash Flow Statement**
  This statement shows the changes in cash and cash equivalents of the authority during 2010/11. It identifies the inflows and outflows of cash and cash equivalents arising from the council's revenue and capital transactions with external parties. The total increase in cash and cash equivalents during 2010/11 was £61.7m

- **Firefighters' Pension Fund accounting statements**
  These statements show the movement on the firefighters' pension fund during 2010/11 and the value of its current assets and liabilities at the 31 March 2011.

Also included is a summarised statement of accounts for the trust funds, for which the council is responsible, and the summarised accounts of the pension fund. Neither of these forms part of the council's balance sheet.

3. Revenue Expenditure

The outturn position of the council can often provide a better indication of financial stewardship during the year than the accounting surplus or deficit provided in the Comprehensive Income & Expenditure Statement.

The Council planned to spend £680.4m on net revenue services in 2010/11, which was to be funded from government grants, business rates and council tax. In addition, the council approved carry-forwards from underspends on the 2009/10 budget of £6m, which was met from general balances. This gave a net updated budget for 2010/11 of £686.4m, funded as follows:

	£m
Council Tax	552.9
Revenue Support Grant	16.2
Business Rates	111.3
General Balances	6.0
	686.4

Actual expenditure for the year was £648.2m. In addition to this, £22.0m of carry-forwards were approved to be carried forward to the 2011/12 financial year by the Cabinet on 26 April 2011 and a further £11.7m was approved on 24 May 2011. By agreeing to these carry forwards the council is recognising that many of the Council's policy objectives cross financial years and are most effectively implemented regardless of the statutory cut-off (31 March). This results in a total spend of £681.9m against the 2010/11 budget, leaving a net underspending for the financial year of -£4.5m.

The under-spending of -£4.5m against planned expenditure arose in service areas and against centrally controlled budgets. The table below provides a comparison of the outturn position for each of the council's directorates against the overall net budget. Annex 2 to the Statement of Accounts contains the 2010/11 Outturn Report which was presented to Cabinet on 24 May 2011, it provides more details on the reasons for these variances and provides evidence to support the carry-forward requests.

	Net Updated Budget £m	Actual Net Expenditure £m	Approved carry-forwards £m	Net Variance £m
Adult Social Care	261.9	255.4	6.3	-0.2
Children, Schools & Families	152.6	147.9	4.7	0.0
Customers & Communities	61.3	60.0	0.5	-0.8
Environment & Infrastructure	110.4	109.5	0.3	-0.6
Change & Efficiency	91.1	81.2	4.4	-5.5
Chief Executive's Office	16.4	15.3	0.0	-1.1
Policy Initiatives	1.5	0.1	1.4	0.0
Central Income & Expenditure	-16.8	-24.2	8.1	0.7
Risk Contingency	8.0	0.0	8.0	0.0
Eco Park Sinking Fund	0.0	3.0	0.0	3.0
	686.4	648.2	33.7	-4.5

Note 22 to the statement of accounts reconciles these outturn figures to the service expenditure figures contained in the Comprehensive Income and Expenditure statement, which are presented on an accounting basis rather than the outturn position which shows the statutory amounts charged to the General Fund for Council Tax setting purposes. The differences between these two methodologies has a significant affect in the reported cost of services, but has no effect on the total reported expenditure of the county council and the amount of taxation raised to fund it.

Levels of Reserves and balances

The council holds general balances (i.e. those accessible for unplanned events) and cash-backed reserves (i.e. money earmarked for specific expected events) and these increased over the year by £46.0m to £167.6m. Full details on the movement in useable reserves can be found in the Movement in Reserves Statement and Note 7.

Capital Expenditure

The updated capital budget for 2010/11 was £135.7m, and spending against this amounted to £104.6m, leading to an in-year variance of £31.1m, although this reduces to £1.4m after approval of carry forwards required to ensure completion of multi year projects. Of the underspending, £0.3m relates to government grant funded projects, where the funding can no longer be claimed. The remaining £1.1m represents funding that the council will now not need to find. Annex 3 provides details of the capital budget by scheme.

The table below shows the 2010/11 capital budget and actual in-year expenditure for each directorate. An explanation of variances can be found in Annex 2.

	Net Updated Budget £m	Actual Net Expenditure £m	Approved carry-forwards £m	Net Variance £m
Adult Social Care	6.6	5.2	1.4	0.0
Children, Schools & Families	17.1	14.0	2.9	-0.2
Customers & Communities	2.9	3.1	-0.2	0.0
Environment & Infrastructure	22.4	20.5	1.9	0.0
Change & Efficiency*	86.6	61.6	23.8	-1.2
Chief Executive's Office	0.2	0.2	0.0	0.0
	135.8	104.6	29.8	-1.4

* the amount included within the Change and Efficiency Directorate includes capital expenditure on all property assets, including schools.

The resources used to fund the capital expenditure incurred in 2010/11 is as follows:

	£m
Capital Receipts	5.1
Government Grants & External Contributions	64.1
Borrowing	29.1
Revenue	6.3
	104.6

Borrowing
All of the long-term borrowing held on the balance sheet relates to the financing of capital expenditure incurred in 2010/11, earlier years and for future years. The balance currently stands at £306.3m. The balance of short-term debt (of one year or less) is £15.1m.

Capital Reserves
At 31 March 2011 the Council has earmarked and other capital reserves of £32.7m.

4. PFI
From the 2009/10 financial year, there was a requirement to account for assets acquired under Private Finance Initiative (PFI) arrangements on the Authority's Balance Sheet. All our PFI schemes' assets are accounted for on the Balance Sheet, which contains assets with a net book value of £81m as at the 31 March 2011. Further details on the PFI schemes are the accounting arrangements can be found in Note 29.

5. Material or Unusual Income and Expenditure
The following material items of income or expenditure are included in the Comprehensive Income and Expenditure Statement for 2010/11 (excluding government grant income and expenditure on PFI contracts):

- Expenditure on the highways maintenance contracts (covering both revenue and capital):
  - Ringway £17.3m
  - Carillion £14.2m

- As part of a nationwide initiative instigated by the Department of Health, the Council undertook a transfer of commissioning for individuals with Learning Disabilities formerly classified as section 28a clients commencing in 2009/10 and resulting in full transfer of funding from health by April 2011. During the 2010/11 financial year as part of this transfer process the Council received £59.2m from local primary care trusts in order to pay for contractual obligations that had transferred to the Council. In 2011/12 the Council will be the sole commissioner for all care services for this client group and has been awarded the Learning Disabilities and Health Reform Grant by the Department of Health to fund these services.

6. Material Assets Acquired or Liabilities Incurred
The following highlight the material individual assets created or liabilities incurred during 2010/11:

- capital investment in street lights as a result of the street lighting PFI, has increased the authority's infrastructure assets by £14.7m, a corresponding liability has been created.

- The value of finance leases changed during the year, increased by £10.1m to £32.2m, of this, £31.5m relates the leases within the council's PFI schemes.

- Changes to the pension liability, as discussed in more detail in Note 23.

Pension Liability
The liability recognised on the authority's balance sheet, in accordance with accounting practices, has a significant impact on the net worth of the authority. The council contributes to three pensions schemes on behalf of its current employees. These are the teachers' pension scheme, the local government pension scheme (LGPS) and the firefighters' pension scheme. The latter two schemes currently have deficits, estimated by Hymans Robertson, the council's independent actuary, of £461.2m and £353.5m respectively. These deficits are represented on the balance sheet as a liability, matched by a non cash-backed reserve.

The total deficit of £814.7m decreased by £424.4m compared to the 2009/10 total of £1,239.1m. The decrease is a result of actuarial gains and changes following the Chancellor's budget statement on 22 June 2010. The actuary based his calculations on future pension increases being linked to the Consumer Prices Index and not the Retail Prices Index. The effect of this change is a large negative past service cost adjustment reflecting that the CPI is historically lower than the RPI.

The size of these deficits has a significant effect on the stated net assets of the council. However, this liability does not need to be met within the next year, but over the working lifetime of the scheme members and the council is making appropriate lump sum payments to the pension fund in addition to the contributions related to current employees.

7. Investments in Iceland
Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The council had £20m deposited across two of these institutions, with varying maturity dates and interest rates. During 2010/11 further impairments to these investments have been made. The current predicted loss to the Council is £515,000. Note 37 details the impact of this on the Accounts.

8. Significant Changes in Accounting Policies
As mentioned at the beginning, this is the first set of accounts prepared on an International Financial Reporting Standards (IFRS) basis. In fact, International Accounting Standard (IAS) 1 requires IFRS to be implemented retrospectively, meaning that the comparative figures for 2009/10 have had to be restated. In addition, there is a requirement to restate the figures for the opening figures of the comparative year. This means that this set of accounts also includes a restated balance sheet as at 1 April 2009. Note 5 provides a reconciliation from the statements in the published accounts for 2009/10 to the restated statements included in this document.

Note 1 summarises the accounting policies that the authority has adopted, and are compliant with IFRS. The main areas of change are:

- grants and contributions (both revenue and capital) are required to be accounted for in the Comprehensive Income and Expenditure Statement once any condition(s) have been met, irrespective of whether any corresponding expenditure has been incurred. Previously, UK GAAP only required income to be recognised to offset the corresponding expenditure.
- IFRS introduces the concept of cash equivalents. Balances previously held as investments have been reclassified as cash equivalents where they meet the council's definition.

- There is a new requirement that provisions be made for short-term compensated absences, such as annul leave and flexi leave, which have accumulated but remain untaken at the balance sheet date. An accumulated absences account has been set up, as an unusable reserve, to reverse the affect of these entries on the amount required to be funded from taxation.
- Where assets previously recognised on the balance sheet meet the criteria to be classified as an asset held for sale, they were reclassified as such and are shown under current assets on the balance sheet.
- The balance of provisions has been split to reflect the need to account for provisions as either current or long-term, depending on when the balances are expected to be required to fund expenditure.

9. Looking forward to 2011/12

The Council has again adopted a four-year Medium Term Financial Plan (2011-2015), based on the assumption of reducing government grant funding in line with the Comprehensive Spending Review (CSR) 2010. This includes changes to services and their budgets in order for the council to afford to provide services and the programme of efficiencies and service reductions set out in the previous MTFP (2010-2014) has been up-dated and extended to cover 2014/15.

The budget for 2011/12 includes efficiencies and service reductions of £59.3m, with an expectation of the level required reducing in the following years, reflecting the front loading of the CSR and relative uncertainty of local government funding for 2013/14 and 2014/15. Services are already implementing detailed plans to deliver these reductions which are being monitored on a monthly basis.

Planned Capital Investment

The Medium Term Financial Plan for 2011–15 includes planned capital expenditure in 2011/12 of £122.8m, split by Directorate as follows:

Directorate	2011/12 £m
Adult Social Care	0.7
Customer & Communities	3.2
Change & Efficiency	74.3
Chief Exec	5.2
Childrens', Schools and Families	2.6
Environment & Infrastructure	36.9
Total 2011/12 Budget	122.8

* the amount included within the Change and Efficiency Directorate includes capital expenditure on all property assets, including schools.

This budget is expected to be funded form the following capital resources:

Funding Source	£m
Borrowing	14.0
Government grant -ring fenced	11.4
Government grant -non ring fenced	59.1
Capital receipts	29.7
Revenue reserves and third party contributions	8.6
Total funding	122.8

10. Further Information

Further information on the county council's overall revenue and capital outturn position for 2010/11 can be found in the '2010/11 Outturn Report' considered by the Cabinet on 24 May 2011.

Further information on the substance of the financial statements presented in this document can be obtained from Nikki O'Connor, Senior Principal Accountant: Financial Reporting (telephone no: 020 8541 9263; e-mail address: nicola.oconnor@surreycc.gov.uk) or Kevin Kilburn, Financial Reporting Manager (telephone no: 020 8541 9207; email address: Kevin.Kilburn@surreycc.gov.uk).

Sheila Little BA CPFA
Acting Assistant Director of Finance & Strategic Assets
X June 2011

Statement of Responsibilities

The Authority's Responsibilities
The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Assistant Director of Finance & Strategic Assets.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities
The chief financial officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.

The chief financial officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts set out on pages x to x presents a true and fair view of the financial position of the authority and of its expenditure and income for the year ended 31 March 2011; and further that the summary statement of accounts on pages x to x presents a true and fair view of the financial position of the Surrey County Council Pension Fund at 31 March 2011 and its income and expenditure for the year then ended.

Sheila Little BA CPFA
Acting Assistant Director for Finance and Strategic Assets
29 June 2011

Nicholas Harrison
Chairman of Audit & Governance Committee
29 June 2011

Scope of responsibility
Surrey County Council (SCC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. SCC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, SCC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

SCC has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and is included in the Constitution of the Council.

The Annual Governance Statement explains how SCC has complied with the Code and identifies areas in which the governance arrangements can be strengthened. It also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2009 and 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework
The governance framework comprises the systems and processes, and culture and values, by which SCC is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables SCC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The governance framework has been in place at SCC for the year ended 31 March 2011 and up to the date of the approval of the statement of accounts. SCC is committed to fulfilling its responsibilities in accordance with the highest standards of good governance in order to become a great council that responds to the expectations of residents, which drives SCC's primary aim to be a world-class organisation.

The governance framework
<u>Purpose and vision</u>
Fundamental to the success of SCC is engagement with residents and service users in the development of SCC's vision, priorities and intended outcomes. 'Our Vision: Standing up for Surrey' was developed over 18 months in consultation with partners through the Surrey Strategic Partnership (SSP).

The Council has run a public engagement programme called 'Have Your Say' in conjunction with the SSP. The initiative invites the residents of Surrey to give their views on the future of public services through on-line discussion forums, face-to-face public debates, 'on-the-spot' in town centres and through a budget consultation tool called 'You Choose'. This tool has provided the public with an indicative view of what the implications of service budget reductions would be for front line services.

SCC's Corporate Strategy 'Making a Difference' sets out the strategic direction and outlines the approach to achieving the aim of becoming a world-class organisation. The Strategy is built around four core objectives for residents, performance, costs, and staff. It is aligned to the Medium Term Financial Plan.

Each of the Council's six Directorates has a Directorate Strategy and Business Plan that show how they support the delivery of the Corporate Strategy. In turn, these are translated into more detailed Service Plans and personal objectives for each member of staff set through the appraisal process.

The Council's Performance Management Framework includes a range of tools and mechanisms to track progress and drive improvement. Progress against the Corporate Strategy objectives is reviewed through quarterly Cabinet business reports, which present headline data and key issues, including the latest position on managing strategic risks. The reports incorporate user feedback on the quality of services such as the latest results from the Joint Neighbourhood Survey (JNS) conducted in partnership with Surrey Police.

Cabinet Members are held to account on a quarterly basis by the Leader and Deputy Leader through Accountability Meetings, ensuring that any potential or arising problems are identified at the earliest opportunity.

Each Directorate has their own performance management arrangements to track progress and manage the delivery of their plans. This includes using various reports on Directorate / Service plans, budgets / costs, workforce information, resident feedback, and risk management.

The Council introduced a Quality Management Framework – *The Surrey Way* - in November 2010, which supports the Council's commitment to good governance. The Framework applies to all Council services and functions and sets out an overall approach to quality management, underpinned by 10 key characteristics. A Quality Manual describes the universal aspects of the framework that apply to all areas of the Council. This is supported by more specific tailored arrangements for each Directorate.

A Quality Board has been introduced to lead and oversee quality management and ensure effective self-regulation. It is chaired by the Chief Executive and includes the Deputy Leader, Corporate Leadership Team, Head of Policy and Performance, Head of Human Resources and Organisational Development, and Acting Assistant Director for Finance and Strategic Assets. An external local authority Chief Executive also sits on the Quality Board to provide independent challenge.

A three-year programme of Public Value Reviews (PVRs) of all Council services/functions began in 2009. Each PVR shares the primary objective of delivering improved outcomes and value for money for the residents of Surrey. A PVR Steering Board, chaired by the Deputy Leader, oversees delivery of the programme. By 31 March 2011, 14 PVRs had been completed and approved by the Cabinet, identifying a range of service improvements and cumulative savings of around £81million over four years. Nine reviews are currently in progress, with a further five scheduled for the remainder of the programme.

Fit for the Future, the Council's Change Programme, captures the extensive cross-Council change activity in a strategic way to ensure the delivery of improved services and value for money for residents. The programme is overseen by the Change Team, chaired by the Assistant Chief Executive, which provides direction and scrutiny of agreed project outcomes and efficiency savings identified in the Medium Term Financial Plan.

A monthly programme review involves representatives from across the Council to discuss interdependencies and cross-cutting themes. Monthly reports are produced for the Corporate Board to communicate progress on savings and projects, highlight any issues and assess their impact and set out forthcoming programme activity. Underpinning the Change Programme is a drive to strengthen project and programme management capacity across the organisation, through an integrated package of measures including a new project

management framework, toolkit, accredited training and project management community events.

The Customer Promise sets out the standards of service that SCC will provide to its customers. The results for compliment and complaint monitoring are reported quarterly to Members and senior officers.

The Partnership Governance Policy and Framework detail how SCC should undertake partnership working including what arrangements need to be in place and provides detailed assessment guidance on partnership significance and details on defined roles and responsibilities.

The Council's risk management strategy and framework set out the approach the authority takes in identifying strategic and operational risks and ensures that these risks are appropriately managed and controlled.

Roles and responsibilities

The Constitution of the Council sets out the roles and responsibilities of Select Committees, Regulatory Committees, the Cabinet and the Council. It also sets out functions delegated by the Council to Cabinet Members, Committees and officers, together with the Member and Staff Codes of Conduct and the Member/Officer Protocol.

The County Council, comprising 80 elected Members, is the ultimate decision-making body for SCC and the principle forum for major political debate.

The Cabinet consists of the Leader of the Council, Deputy Leader of the Council and eight other Cabinet Members. The Cabinet proposes the key policy decisions of SCC and each Member has a portfolio of work for which they take personal responsibility.

Standing Orders govern the procedural elements of Councillor business, whilst Financial Regulations set out how financial activity is carried out and how financial interests are safeguarded.

The functions of the Monitoring Officer and Chief Finance Officer are specified by statute and set out in the Constitution. The Monitoring Officer (Head of Legal and Democratic Services, Chief Executive's Office) is responsible for ensuring lawfulness and fairness in decision-making. The Chief Financial Officer/Section 151 Officer (Acting Assistant Director of Finance and Strategic Assets, Change and Efficiency Directorate) is responsible for ensuring lawfulness and financial prudence in decision-making.

The Assistant Director for Finance and Strategic Assets' role involves the management of the finance and strategic assets functions as well as taking responsibility for Section 151. In February 2011 a Corporate Board was established, focussing on the way the organisation is run and this meets monthly. The Assistant Director for Finance and Strategic Assets permanently sits on this alongside the Head of Human Resources & Organisational Development and the Corporate Leadership Team.

Standards of behaviour

The Members Code of Conduct sets out the obligations of Members and how personal and prejudicial interest should be managed. All Members signed up to the Code following the last election and training was given during Member induction in June 2009.

All employees of the Council must abide by the rules set out in the Code of Conduct for Staff. Staff are made aware of this Code of Conduct through the corporate induction process.

The Member/Officer Protocol is in place to clarify the behaviours expected from Members and officers and ensure that roles and responsibilities are clear and provide good working practices.

Members, employees and the public can raise concerns regarding fraud or corruption via the Council's Whistle Blowing Policy and Strategy Against Fraud and Corruption.

Committees

In 2010/11, the Council had seven Select Committees in place to undertake a scrutiny role. These included, Adult Social Care, Change and Efficiency, Children and Families, Education, Learning and Development, Environment and Economy, Safer and Stronger Communities and Transportation. A Health Scrutiny Committee is also in place.

A review of the overview and scrutiny process has been carried out during 2010/11. This has identified improvement areas including a proposed change to the committee structure to potentially be implemented in 2011/12. These proposals have been shared with the Centre for Public Scrutiny.

The terms of reference for the Audit and Governance Committee are set out in the Constitution. The Committee consists of six elected Members representing the leading three political parties and meets at least six times a year to monitor the key governance issues identified by officers, Members and external inspections.

The Standards Committee is focused on raising its profile and promoting high standards of conduct to ensure that the Council is adhering to the appropriate ethical standards.

Development and training

The Stretching Talent and Raising Skills (STARS) training programme was launched in 2010. This is a four-year programme offering a range of training opportunities for staff, managers and senior leaders.

The leadership development programme for senior officers has focused on four main areas; resilience, coaching, change and new thinking. Sessions have been run through 'leadership lite bites', senior management briefings and strategic challenge events.

The Member Development Framework sets out the proposed learning and development requirements of elected Members for a four-year term of office. It covers induction and familiarisation through to forward planning for the next Council. SCC is currently working towards the South East Employers Charter for Elected Member Development.

Internal control environment

The internal control environment is a significant part of the governance framework and is designed to manage risks to a reasonable level. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of SCC's policies, aims and objectives.

The overall opinion of the Chief Internal Auditor on the internal control environment for the year is '**some improvement needed'.** A few specific control weaknesses were noted; generally however, controls evaluated were judged to be adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

- **Information Governance** – records management, email security awareness and data protection in relation to the use of CCTV
- **Management of section 106 agreements** – lack of clarity of monies due

- **Management of capital projects** – quality of business cases and monitoring/reporting back on changes to cost/saving estimates
- **Agreements with Health** – Transfer of commissioning for People with Learning Disabilities and S76 arrangements not formalised
- **Health and Safety** – Robust procedures are required to ensure that safety checks (such as fire risk assessments and electrical testing) are evidenced with proper tracking to ensure that appropriate action is taken to address identified issues.

Management Action Plans are in place to address the recommendations made by internal audit and actions will be implemented by the identified responsible officers.

The Chief Internal Auditor's report on internal control for 2010/11 has also informed the 'governance issues' highlighted in this Statement.

Review of the effectiveness of the governance framework

SCC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of SCC management and committees with responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by work undertaken by the external auditor and other review agencies and inspectorates.

The governance arrangements for the year 2010/11 have been reviewed in accordance with the annual review process outlined in the SCC Code of Corporate Governance and incorporated progress made on areas of weakness identified in the 2009/10 Annual Governance Statement. The review found that overall governance arrangements for the year are appropriate. Significant improvement has been made in some areas reported in 2009/10, for example consistency around the methods of measurement of value for money across the organisation and improved risk management processes.

The review of governance is overseen by the Governance Panel, which is chaired by the Head of Legal and Democratic Services and comprises of the Acting Assistant Director for Finance and Strategic Assets, Head of HR and Organisational Development, Head of Policy and Performance and the Chief Internal Auditor. The Governance Panel has responsibility for the development and maintenance of the governance environment and the production of the Annual Governance Statement.

The Audit and Governance Committee has an ongoing role in the review of the effectiveness of SCC's governance framework. Throughout the year it has received and considered reports regarding the work of the Governance Panel, internal audit, external audit, risk and governance, treasury management and the pension fund. The Committee also undertook the annual review of the effectiveness of the system of internal audit and concluded that it is effective.

Governance Improvements

The 2009/10 Annual Governance Statement identified several areas for improvement. The Audit and Governance Committee has closely monitored improvements throughout 2010/11 and received regular reports with a final update provided in April 2011.

Progress against actions has been significant throughout 2010/11, particularly around value for money, risk management and whistle blowing. Improvements include:

- Value for money – the Public Value Review (PVR) programme has contributed to a more coordinated and robust approach to ensuring value for money across the

organisation by reviewing all functions/services to ensure they are provided efficiently, effectively and economically.

- Risk management – a fully refreshed strategic risk process has been implemented with a revised Leadership risk register linking to strategic director risk registers. There is greater engagement with the process across the organisation.

- Whistle blowing – The whistle blowing policy has been revised and re-launched. The People, Performance and Development Committee approved the revised policy on 29 November 2010, and a letter was sent from Chief Executive to all staff to promote the whistle-blowing campaign.

Governance issues
The annual review of governance has identified a number of issues that require action to ensure the Council meets best practice. Plans have been put in place to address these areas and ensure continuous improvement.

Issue		**Planned Action**
Corporate values	1. Communication of the values to the public and other stakeholders	Promote values through our public website and make clear how they're involved in decision-making.
	2. Evidence to support usage of the values in decision making	Values linked to performance appraisal, evidence will be gathered through forthcoming "year of innovation".
Partnerships	Means of assessing the effectiveness of partnership relationships	Development and adoption of regular review programme with partners, to include self-assessment and follow up one-to-one discussions with key partners as needed.
Public consultation	Lack of clear consultation policy	Policy to be developed and implemented in July 2011.
Information governance	Issues regarding records management, email security awareness and data protection in relation to the use of CCTV	Continue to deliver communications campaign to raise staff and member awareness on information security including: • Policies and processes have been established in relation to Records Management and cascaded to services. Services to ensure compliance over the next year (2011) by reviewing their records and verifying the retention schedules. • On-going Communications

		campaign "increasing information security", specifically designed to raise awareness of email security. The initial phase (April –May 2011) will take a three-step approach as follows: 1. Awareness raising – online test yourself quizzes 2. Policy adherence / behaviour change – simple checklists 3. Behaviour change – making the right contacts. • The information governance team are in receipt of replies and completed CCTV forms for our facilities. This information will be transferred to a spreadsheet for EPM to include and maintain as part of their property details database.
Health and safety	Robust procedures are required to ensure that safety checks (such as fire risk assessments and electrical testing) are evidenced with proper tracking to ensure that appropriate action is taken to address identified issues.	The Services concerned are to put in place effective recording and tracking systems and until then, interim manual recording is to be completed in a timely manner.

The issues and the planned actions in the table above, are all included in a detailed operational action plan with responsible lead officers and accountable elected Members identified. Progress on these actions will be reported to the Audit & Governance Committee throughout 2011/12 and any areas of significant concern will be escalated to the Cabinet.

The Quality Board, Audit and Governance Committee and Cabinet have been advised of the implications of the review of the effectiveness of the governance framework. We are satisfied that the actions required, when completed, will address the need for improvements that were identified in the review of effectiveness and we will monitor their implementation and operation as part of the next annual review.

Signed:

Leader of the Council June 2011	Chief Executive June 2011

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus(-) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2010	-31,151	-71,087	-19,633	273	**-121,598**	445,061	**323,463**
Surplus(-) or deficit on provision of services (accounting basis)	-168,010				**-168,010**		**-168,010**
Other comprehensive income & expenditure					**0**	-292,326	**-292,326**
Total comprehensive income & expenditure	**-168,010**	**0**	**0**	**0**	**-168,010**	**-292,326**	**-460,336**
Adjustments between accounting basis & funding basis under regulations (Note 6)	122,903	0	2,586	-7,487	**118,002**	-118,002	**0**
Net increase/decrease before transfers to earmarked reserves	**-45,107**	**0**	**2,586**	**-7,487**	**-50,008**	**-410,328**	**-460,336**
Transfers to/from(-) earmarked reserves (Note 7)	39,937	-35,974	0	0	**3,963**	-3,963	**0**
Increase(-)/decrease in year	**-5,170**	**-35,974**	**2,586**	**-7,487**	**-46,045**	**-414,291**	**-460,336**
Balance at 31 March 2011	**-36,321**	**-107,061**	**-17,047**	**-7,214**	**-167,643**	**30,770**	**-136,873**

Movement in Reserves Statement

Comparator Figures for 2009/10:

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants & Contributions Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009	-22,256	-82,271	-30,130	-3,134	**-137,791**	-22,736	**-160,527**
(Surplus) or deficit on provision of services (accounting basis)	66,806				**66,806**		**66,806**
Other comprehensive income & expenditure					**0**	417,184	**417,184**
Total comprehensive income & expenditure	**66,806**	**0**	**0**	**0**	**66,806**	**417,184**	**483,990**
Adjustments between accounting basis & funding basis under regulations (Note 6)	-64,517	0	10,497	3,407	**-50,613**	50,613	**0**
Net increase/decrease before transfers to earmarked reserves	**2,289**	**0**	**10,497**	**3,407**	**16,193**	**467,797**	**483,990**
Transfers to/from earmarked reserves (note 7)	-11,184	11,184	0	0	**0**	0	**0**
Increase/decrease in year	**-8,895**	**11,184**	**10,497**	**3,407**	**16,193**	**467,797**	**483,990**
Balance at 31 March 2010	**-31,151**	**-71,087**	**-19,633**	**273**	**-121,598**	**445,061**	**323,463**

Balance Sheet

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement on pages 15 and 16.

Restated Year ended 31 March 2010				**Year ended 31 March 2011**		
Gross Expenditure £000	Income £000	Net Expenditure £000		Gross Expenditure £000	Income £000	**Net Expenditure £000**
375,598	-101,795	273,803	Adult Social Care	398,886	-121,975	**276,911**
1,027,789	-759,055	268,734	Education & Children's Services (Note 9 &10)	1,051,306	-806,939	**244,367**
120,314	-16,564	103,750	Highways & Transport Services	126,759	-16,409	**110,350**
87,029	-5,507	81,522	Cultural, Environmental, Regulatory & Planning Services (Note 11)	96,239	-8,198	**88,041**
21,217	-19,073	2,144	Housing General Fund	25,673	-615	**25,058**
39,363	-604	38,759	Fire Services	10,651	-1,050	**9,601**
6,717	0	6,717	Corporate and Democratic Core	20,462	-12,916	**7,546**
5,466	-1,870	3,596	Central Services to the Public	6,044	-2,097	**3,947**
1,203	0	1,203	Court Services	1,302	0	**1,302**
2,591	0	2,591	Non Distributed Costs	-164,923	0	**-164,923**
1,687,287	-904,468	782,819	**Cost of Services - continuing operations**	1,572,399	-970,199	**602,200**
22,287	-24,466	-2,179	Other Operating Expenditure (Note 12)	30,912	-31,707	**-795**
108,767	-45,216	63,551	Financing & Investment Income & Expenditure (Note 13)	125,269	-69,435	**55,834**
	-777,385	-777,385	Taxation & Non-Specific Grant Income (note 14 &15)	0	-825,249	**-825,249**
1,818,341	-1,751,535	66,806	**Surplus(-) or Deficit on Provision of Services**	**1,728,580**	**-1,896,590**	**-168,010**
		-72,372	Surplus(-) or Deficit on revaluation of non current assets			**-41,394**
		489,556	Actuarial gains(-) / losses on pension assets/liabilities			**-250,932**
		417,184	**Other Comprehensive Income & Expenditure**			**-292,326**
		483,990	**Total Comprehensive Income & Expenditure**			**-460,336**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves. These reserves are those reserves that the authority may use to provide services, subject to the need to maintain a prudent level and any statutory limitations on their use. For example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt. The second category of reserves are those that the authority is not able to use to provide services. This category of reserves include those that hold unrealised gains and losses, such as the Revaluation Reserve, where amounts would only become available to provide services if the assets were sold; and reserves that reflect timing differences, as shown in the Movement in Reserves Statement.

Note:	Restated as at 01/04/2009 (Note 5) £000	Restated as at 31/03/2010 (Note 5) £000		**As at 31/03/2011 £000**
25	1,264,975	1,320,812	Property, Plant & Equipment	1,314,019
26	13,669	11,077	Intangible Assets	8,750
36	270	264	Long Term Investments	241
36	603	619	Long Term Debtors	560
	1,279,517	1,332,772	**LONG TERM ASSETS**	**1,323,570**
36	233,276	67,912	Short Term Investments	60,455
31	803	1,580	Assets held sale	8,090
32	6,333	1,202	Inventories	1,356
33	80,457	80,377	Short term debtors	85,499
34	0	16,231	Cash & cash equivalents	77,971
	320,869	167,302	**CURRENT ASSETS**	**233,371**
34	-16,649	0	Cash & cash equivalents	0
36	-104,493	-16,647	Short term borrowing	-15,073
35	-154,597	-184,426	Short term creditors	-165,854
38	-26,761	-19,426	Short term Provisions	-17,407
	-302,500	-220,499	**CURRENT LIABILITIES**	**-198,334**
38	-8,414	-7,904	Long term Provisions	-7,393
36	-348,950	-305,655	Long term borrowing	-306,348
29,30 &23	-771,842	-1,279,920	Other long term liabilities	-867,274
15	-8,153	-9,559	Capital Grants Receipts in Advance	-40,719
	-1,137,359	-1,603,038	**LONG TERM LIABILITIES**	**-1,221,734**
	160,527	-323,463	**NET ASSETS**	**136,873**
7&39	-137,791	-121,598	Usable Reserves	-167,643
40	-22,736	445,061	Unusable Reserves	30,770
	-160,527	323,463		**-136,873**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2009/10 £000		**2010/11 £000**
66,806	Net surplus(-) or deficit on the provision of services	**-168,010**
-139,868	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**32,056**
-35,930	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	**-25,590**
-108,992	**Net cash flows from Operating Activities (Note 41)**	**-161,544**
-55,334	Investing Activities (Note 42)	**94,543**
131,446	Financing Activities (Note 43)	**5,261**
-32,880	**Net (Increase) or decrease in cash & cash equivalents**	**-61,740**
16,649	Cash and cash equivalents at the 1 April	**-16,231**
-16,231	Cash and cash equivalents at the 31 March (Note 34)	**-77,971**

The county council no longer meets the cost of firefighters' pensions directly, instead paying it into a fund. The fund also receive contributions from employees and transfers from other pension funds. It will pays out pensions to retired fire fighters and to other pension funds if a scheme member transfers out. The fund has no investment assets and is balanced to zero each year by the receipt of a top-up grant from the Department for Communities and Local Government.

The statement below shows the movement on the fund during the 2010/11 financial year and the value of any current balances and liabilities at 31 March 2011. These movements and balances have been removed from the council's income and expenditure account and balance sheet.

Fund Account for year ending 31 March 2011

2009/10 £000		2010/11 £000	2010/11 £000
	Contributions receivable		
	from employer		
-4,260	Normal	-4,066	
0	early retirements	0	-4,066
-2,242	from employees		-2,189
-225	Individual transfers in from other schemes		-38
-612	Income from CLG to cover revised commutation factor		
-7,339			**-6,293**
	Benefits payable		
10,389	Pensions	10,849	
2,842	commutations and lump sum retirement benefits	2,448	
73	lump sum death benefits	0	13,297
	Payments to and on account of leavers		
0	individual transfers out to other schemes		208
13,304			**13,505**
5,965	**Net amount receivable for the year before top-up grant**		**7,212**
-3,115	Top-up grant received from DCLG	-4,325	
-2,850	Top-up grant still owing from CLG	-2,887	**-7,212**
0	**Net amount payable/ receivable for the year**		**0**

31/03/10 £000		**31/03/11 £000**
	Current Assets	
2,850	Pension top-up grant receivable from central government	**2,887**
2,850		**2,887**
	Current Liabilities	
-2,850	Cash overdrawn	**-2,887**
-2,850		**-2,887**

Note 1: Summary Accounting Policies

1. General Principals

This Statement of Accounts summarises Surrey County Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Accounts & Audit Regulations 2003.

2. Prior Period Adjustments, Changes in Accounting Policies & Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

3. Accruals of Income & Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the goods or services.
- Supplies are recorded as expenditure when they are consumed.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet and provision is made for bad and doubtful debts. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. Overheads & Support Services

The costs of overheads and support services are fully allocated to front-line services in proportion to the benefits received, with the exception of democratic representation and management costs and some categories of corporate expenditure which are charged to Corporate and Democratic Core Costs.

5. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income, unless it is a rebate from previous years.

6. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

7. Employee Benefits

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged to the relevant service, with any added years, past service cost being charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

Post Employment Benefits
Employees of the Authority are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Firefighters Pension Scheme, administered by Surrey County Council.
- The Local Government Pensions Scheme, administered by Surrey County Council.

All of the schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The arrangements for the ***Teachers' Pension Scheme*** mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The ***Local Government Pension Scheme (LGPS) & The Firefighters Pension Schemes*** are accounted for as defined benefits schemes. The cost of pensions included within the accounting statements follow the requirement of proper accounting practices to recognise pension liabilities when they become due even though the actual payment may be many years into the future.

8. Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- amortisation of intangible fixed assets attributable to the service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Authority is not required to raise council tax to fund depreciation, amortisation or revaluation and impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, known as the Minimum Revenue Provision (MRP) which is an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

9. Revenue Expenditure Funded from capital Under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

This is an accounting entry and does not impact on Council Tax, it is therefore reversed out by an adjustment in the Capital Adjustment Account.

10. Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

Capital Grants and grants to cover general expenditure, for example the revenue support grant and the areas based grant, are credited to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Statement.

11. Intangible Assets

The code defines intangible assets as ‘non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events.’ These are effectively IT software. Intangible assets are measured at cost and the depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

12. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Currently, the authority does not hold any investment properties.

13. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis.

Measurement

Assets are initially measured at cost. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

For non-property assets (vehicles, equipment & plant) that have short useful lives or low values, or both, a depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve.

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where impairment is identified as a result of this review or a

Decreases in valuation are debited to the revaluation reserve up to the amount of any previous upwards revaluation balance in the reserve and thereafter to the Comprehensive income & expenditure account.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets on a straight-line basis over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Capital receipts from the sale of assets are treated in accordance with the relevant regulations. Amounts below £10,000 are credited to miscellaneous income & expenditure, income of above £10,000 is credited to the comprehensive income & expenditure account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. The balance of receipts is credited to the Usable Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

14. Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet of the lessee at the commencement of the lease at its fair value. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement.

15. Private Finance Initiative (PFI) & Similar Contracts
PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment and it is subject to revaluation and depreciation charges as all other items of property, plant & equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

16. Cash & Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within 24 hours of the date of acquisition (mainly money market funds and overnight investments) as these are considered to be readily convertible into known amounts of cash with insignificant risk of change in value.

17. Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets
Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

18. Inventories & Long-Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

19. Provisions, Contingent Liabilities & Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), an adjustment is made to the provision and any unused balance is credited back to the relevant service.

Contingent Assets/Liabilities
A contingent asset/liability arises where an event has taken place that gives the authority a possible asset/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets/liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

20. Reserves
The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

21. Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Accounts are not adjusted to reflect such events, but material effects are disclosed in the notes.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

22. Jointly Controlled Operations & Jointly Controlled Assets (Pooled Budgets)
Jointly controlled operations/assets are activities undertaken by the Authority in conjunction with other venturers. The joint venture does not involve the establishment of a separate entity. The authority accounts for only its share of the jointly controlled assets & liabilities and cash flows it incurs on its own or jointly with others in respect of its interest in the joint venture.

23. Interests in Companies & Other Entities
The Council has considered all its relationships and interests in other entities and, save for one case, does not have the power to exercise significant control or influence over those entities' economic activities. The Council does exercise significant control over one trust fund, however, the economic activity of the trust fund is not material. Therefore the Council has not prepared group accounts to show a consolidated position for itself and other entities.

Note 2: Accounting Standards Issued, Not Adopted

The authority is required to disclose information relating to the impact of accounting changes on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements.

The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements. Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. They are assets with historical, artistic, scientific, technological, geophysical or environmental qualities.

Asset which are currently held on the authority's balance sheet which meet this description are limited to artifacts held at Surrey History Centre, such as glassworks and the tapestry. These are currently held at a total value of £67,000 and form part of the Community Assets class of property, plant & equipment, which are held at historic cost. The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements, including the 2010/11 comparative information.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value, hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

There may be additional historical or cultural items held which are not currently recognised in the financial statements as currently no information is available on the cost of these assets. A review of these will be done during 2011/12. During the review of potential heritage assets to be undertaken in 2011/12, the authority will need to assess whether obtaining valuations for these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has £20m deposited with 2 Icelandic institutions which collapsed in early October 2008. A decision by the courts is being sought as to whether the Authority will have the status of a preferred creditor. Details of the assumptions

made in relation to the impairment of these investments is further detailed in Note 37.

- The Authority has considered all its relationships and interests in other entities and, save for one case, has determined that it does not have the ability to exercise control or significant influence over those entities' economic activities and a judgement has been made that therefore these entities are not a subsidiaries of the Authority. The council does exercise significant control over one Trust fund, however, as the economic activity of the Trust Fund is not material, the council has not prepared group accounts.
- The Authority is deemed to control the services provided under the outsourcing agreement, and has an interest in the assets at the end of the agreement, for four contracts:
    - In 1998 the council entered into a long-term contract with Anchor Trust for the purchase of residential and day care for the elderly in 17 homes previously operated by the council.
    - In 2002 the council entered into a further long-term contract for the provision of residential and day care with Care UK.
    - In 1999 the council entered into a 25-year contract for waste disposal with Surrey Waste Management.
    - In 2010 the council entered into a long term contract with Skanska John Laing for street lighting services, the contracts includes the replacement or refurbishment of all street lights in Surrey and continued maintenance of the light for the duration of the contract.

  The accounting policies for PFI schemes and similar contracts have been applied to these arrangement and the assets are recognised as Property, Plant and Equipment on the Authority's Balance Sheet (see note 29 for additional details).

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors.

The items in the Authority's Balance Sheet at 31 March 2011 for which significant assumptions have been made are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £528,000 for every year that useful lives had to be reduced.
Provisions	The Authority has made a provision of £1.7m for the settlement of redundancy costs agreed but not paid in 2010/11. These costs are not certain and in some	If employees are redeployed rather than made redundant, then the redundancy costs will be less than estimated and any unused provision will

	cases employees may be redeployed. The Authority has also made provisions for the payment of travel lump sum and equal pay claims of £1.3m and £1.5m respectively, based on an estimated number of claims to be received (based on historic data) and an average settlement amount. It is not certain that all valid claims will be received or have yet been identified.	be reversed in the 2011/12 accounts. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £280,000 to the provisions needed
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £138,000 for the LGPS and £31,000 for the firefighters pension fund.
Debtors	At 31 March 2011, the Authority had a balance of debtors of £85.5m. A review of balances suggested that an impairment of doubtful debts of £11.8m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in the amount of the impairment of doubtful debts would require additional set aside as an allowance, an increase of 5% would require £592,000.
Investments	The Authority has £20m invested in Icelandic institutions which collapsed in early October 2008. The current assumptions, which are in line with CIPFA guidance and legal advice, are that the full principal outstanding will be received from GLITNIR and 95% of the principal from Landsbanki.	If the council does not receive priority status, the expected repayments will be for GLITNIR 29% and for Landsbanki 38% which results in additional impaitrment of these investments being charged to the general fund.

Note 5: Transition to IFRS Restatement & Prior Year Adjustments

IFRS 1 requires an authority to explain how the transition from previous accounting policies based on UK Generally Accepted Accounting Policies to IFRS based accounting policies has affected its reported financial position. The tables below show a reconciliation of the Balance Sheet and the Comprehensive Income and Expenditure from those published in the 2009/10 statement accounts to the restated opening balances as at a 1 April 2009 and 31 March 2010. The areas where adjustments were made are:

- IAS 20 and IPSAS 23 require grants and contributions (both revenue and capital) to be accounted for in the Comprehensive Income and Expenditure Statement once any conditions have been met, irrespective of whether any corresponding expenditure has been incurred. Previously, UK GAAP only required income to be recognised to offset the corresponding expenditure. Revenue grant and contribution income is recognised in the Comprehensive Income & Expenditure Account against the relevant service, any non-specific grant income and all capital grants and contributions are recognised as taxation and non-specific grant income. Any income recognised which does not offset expenditure incurred in year, is transferred to a useable reserve (revenue grants & contributions unapplied reserve & capital grants and contributions unapplied reserve). The previous balances on the government grants & external contributions deferred account have been transferred to the capital Adjustment Account.
- IAS 7 introduces the concept of cash equivalents. Balances previously held as investments have been reclassified as cash equivalents where they meet the council's definition.
- IAS 19 requires that provisions be made for short-term compensated absences, such as annul leave and flexi leave, which have accumulated but remain untaken at the balance sheet date. An accumulated absences account has been set up, as an unusable reserve, to reverse the affect of these entries on the amount required to be funded from taxation.
- Where assets previously recognised on the balance sheet meet the criteria to be classified as an asset held for sale, they were reclassified as such and are shown under current assets on the balance sheet.
- The balance of provisions has been split to reflect the need to account for provision as either current or long-term depending on when the balances are expected to be required to fund expenditure.

In addition, during 2010//11 a thorough review of all the assets previously categorised as 'non-operating: surplus assets awaiting sale' was undertaken. As a result of this, a number of properties that were previously recognised on the balance sheet have been written off (with the opposite entry to the Capital Adjustment Account) because they are no longer owned by the Authority. A further prior-year adjustment has been made in relation to the land element of Voluntary Aided playing field, which were previously not recognised on the authorities balance sheet.

Balance Sheet as at 31 March 2010:

	As published in 2009/10 Statement of Accounts 31/03/10 £000	Prior Year Adjustments 31/03/10 £000	IFRS Adjustments 31/03/10 £000	Restated Balance 31/03/10 £000
Property, plant & equipment	1,329,580	-7188	-1,580	**1,320,812**
Intangible Assets	11,078	-1		**11,077**
Long-term investments	264			**264**
Long term debtors	619			**619**
Long Term Assets	**1,341,541**	**-7,189**	**-1,580**	**1,332,772**
Short term investments	127,940		-60,028	**67,912**
Inventories	1,202			**1,202**
Short term debtors	80,377			**80,377**
Cash & cash equivalents			16,231	**16,231**
Assets held for sale			1,580	**1,580**
Current Assets	**209,519**	**0**	**-42,217**	**167,302**
Bank overdraft	-43,797		43,797	**0**
Short term borrowing	-16,647			**-16,647**
Short term creditors	-195,786		11,360	**-184,426**
Provisions			-19,426	**-19,426**
Current Liabilities	**-256,230**	**0**	**35,731**	**-220,499**
Provisions	-9,970		2,066	**-7,904**
Long term borrowing	-305,655			**-305,655**
Other long term liabilities	-1,447,198		167,278	**-1,279,920**
Capital grants receipts in advance			-9,559	**-9,559**
Long term liabilities	**-1,762,823**	**0**	**159,785**	**-1,603,038**
Net Assets	**-467,993**	**-7,189**	**151,719**	**-323,463**
Usable reserves	-119,795		-1,803	**-121,598**
Unusable reserves	587,788	7189	-149,916	**445,061**
Total Reserves	**467,993**	**7,189**	**-151,719**	**323,463**

Balance Sheet as at 1 April 2009:

	As published in 2009/10 Statement of Accounts	Prior Year Adjustments	IFRS Adjustments	Restated Balance
	01/04/09 £000	01/04/09 £000	01/04/09 £000	01/04/09 £000
Property, plant & equipment	1,272,624	-6,846	-803	1,264,975
Intangible Assets	13,669			13,669
Long-term investments	270			270
Long term debtors	603			603
Long Term Assets	**1,287,166**	**-6,846**	**-803**	**1,279,517**
Short term investments	291,958		-58,682	233,276
Inventories	6,333			6,333
Short term debtors	80,457			80,457
Assets held for sale			803	803
Current Assets	**378,748**	**0**	**-57,879**	**320,869**
Bank overdraft	-75,331		58,682	-16,649
Short term borrowing	-104,493			-104,493
Short term creditors	-171,040		16,443	-154,597
Provisions			-26,761	-26,761
Current Liabilities	**-350,864**	**0**	**48,364**	**-302,500**
Provisions	-21,534		13,120	-8,414
Long term borrowing	-348,950			-348,950
Other long term liabilities	-911,434		139,592	-771,842
Capital grants receipts in advance			-8,153	-8,153
Long term liabilities	**-1,281,918**	**0**	**144,559**	**-1,137,359**
Net Assets	**33,132**	**-6,846**	**134,241**	**160,527**
Usable reserves	-129,500		-8,291	-137,791
Unusable reserves	96,368	6,846	-125,950	-22,736
Total Reserves	**-33,132**	**6,846**	**-134,241**	**-160,527**

Restated 2009/10 Comprehensive Income & Expenditure Account	**UK GAAP Compliant 2009/10 income & expenditure**			**PY Adj 2009/10**	**IFRS Movements 2009/10**			**IFRS Compliant 2009/10 I&E account 2009/10**		
	Expenditure £000	**Income £000**	**Net £000**	**Expenditure £000**	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
Adult social care	375,083	-102,282	272,801	485	30	487	517	375,598	-101,795	273,803
Education & children's services	1,024,073	-794,318	229,755	39	3,677	35,263	38,940	1,027,789	-759,055	268,734
Highways & transport services	120,512	-21,195	99,317	-194	-4	4,631	4,627	120,314	-16,564	103,750
Cultural, environmental, regulatory & planning services	87,002	-6,654	80,348		27	1,147	1,174	87,029	-5,507	81,522
Housing general fund	21,217	-19,073	2,144		0	0	0	21,217	-19,073	2,144
Fire services	39,374	-685	38,689		-11	81	70	39,363	-604	38,759
Corporate & democratic core	6,697	0	6,697	20	0	0	0	6,717	0	6,717
Central services to the public	5,466	-1,870	3,596		0	0	0	5,466	-1,870	3,596
Court services	1,203	0	1,203		0	0	0	1,203	0	1,203
Non distributed costs	2,591	0	2,591		0	0	0	2,591	0	2,591
Cost of Services	1,683,218	-946,077	737,141	350	3,719	41,609	45,328	1,687,287	-904,468	782,819
Other operating expenditure	1,736	-3,915	-2,179		0	0	0	22,287	-24,466	-2,179
Financing & investment income & expenditure	108,767	-45,216	63,551		0	0	0	108,767	-45,216	63,551
Taxation & non-specific grant income	0	-714,554	-714,554		0	-62,831	-62,831	0	-777,385	-777,385
Surplus or deficit on provision of services	1,793,721	-1,709,762	83,959	350	3,719	-21,222	-17,503	1,818,341	-1,751,535	66,806
Surplus or deficit on revaluation of fixed assets			-72,390	-7			25			-72,372
Actuarial gains/losses on pension assets/liabilities			489,556				0			489,556
Other comprehensive income & expenditure			417,166	-7			25			417,184
Total comprehensive income & expenditure			501,125	-7			-17,478			483,990

Note 6: Adjustments between accounting basis and funding basis under regulations
This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11:

	General Fund Balance	Capital grant & cont unapplied reserve	Capital Receipts Reserve	Unusable Reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	-82,261			82,261
Revaluation losses on property, plant & equipment	-51,548			51,548
Amortisation of intangible assets	-2,379			2,379
Revenue expenditure funded from capital under statute	-25,590			25,590
Net gain/loss on sale disposal of property, plant & equipment	928		-2,508	1,580
Deferred Income in respect of PFI schemes	143			-143
Reversal of donated asset adjustment	31			-31
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	10,186	-10,186		
Application of grants to capital financing transferred to the Capital Adjustment Account	61,417	2,699		-64,116
Use of Capital Receipts Reserve to finance new capital expenditure			5,094	-5,094
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-375			375
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	68,811			-68,811
Employer's pensions contributions and direct payments to pensioners payable in the year	104,649			-104,649
Amount by which the council tax income credited to the Comprehensive Income & expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements (see note 40)	2,764			-2,764
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different to that chargeable in the year in accordance with statutory requirements due to accrued leave provision	3,586			-3,586
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	26,284			-26,284
Capital expenditure charged against the general fund balance	6,257			-6,257
TOTAL ADJUSTMENTS	**122,903**	**-7,487**	**2,586**	**-118,002**

2009/10 Comparators:

	General Fund Balance	Capital grant & conts unapplied reserve	Capital Receipts Reserve	Unusable reserves
	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement				
Charges for depreciation & impairment of non-current assets	-76,457			76,457
Revaluation losses on property, plant & equipment	-18,356			18,356
Amortisation of intangible assets	-2,717			2,717
Revenue expenditure funded from capital under statute	-6,597			6,597
Net gain/loss on sale disposal of property, plant & equipment	1,945		-2,748	803
Deferred Income in respect of PFI schemes	136			-136
Reversal of donated asset adjustment	25			-25
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Account	1,053	-1,053		
Application of grants to capital financing transferred to the Capital Adjustment Account	33,185	4,460		-37,645
Use of Capital Receipts Reserve to finance new capital expenditure			13,245	-13,245
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-937			937
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	-87,096			87,096
Employer's pensions contributions and direct payments to pensioners payable in the year	66,949			-66,949
Amount by which the council tax income credited to the Comprehensive Income & Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	1,027			-1,027
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-3,719			3,719
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	22,851			-22,851
Capital expenditure charged against the general fund balance	4,191			-4,191
TOTAL ADJUSTMENTS	**-64,517**	**3,407**	**10,497**	**50,613**

Note 7: Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1 April 2009	Transfers In	Transfers Out	Balance at 31 March 2010	Transfers In	Transfers Out	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Schools Balances	36,083		-2,280	33,803	8,850		42,653
Investment Renewals Reserve	2,346	2,640	-2,001	2,985	2,062	-2,445	2,602
Equipment Replacement Reserve	3,489	1,340	-568	4,261	2,299	-3,160	3,400
Vehicle Replacement Reserve	3,895	746	-330	4,311	832	-1,801	3,342
Waste Site Contingency Reserve	299			299			299
Trading Reserves	49		-49	0			0
Insurance Reserve	5,496	23	-119	5,400	831		6,231
Budget Equalisation Reserve	4,485	315	-4,485	315	22,000	-100	22,215
Financial Investment Reserve	9,470	0		9,470		-3,963	5,507
General Capital Reserve	11,502	24	-3,358	8,168	226		8,394
PFI Reserve	0			0	2,689		2,689
Revenue Grants Unapplied Reserve	5,157	1,502	-4,584	2,075	1,391	-1,737	1,729
Severe Weather Reserve	0			0	5,000		5,000
Eco Park Sinking Fund	0			0	3,000		3,000
	82,271	6,590	-17,774	71,087	49,180	-13,206	107,061

Note 8: Material items of income and expenditure

The following material items of income and expenditure are included in the comprehensive income and expenditure account. This list does not include government grant income, which is analysed in more detail in note 15 or payments in relation to PFIs and similar contracts which is further detailed in note 29.

Included in net cost of services, Highways & transportations expenditure:

- Expenditure on the highways maintenance contracts (covering both revenue and capital):
  - Ringway £17.3m
  - Carillion £14.2m

- Expenditure on street lighting energy consumption, payments to Laser - £3.0m.

Included in net cost of services, Adults Social care expenditure:

- As part of a nationwide initiative instigated by the Department of Health, the Council undertook a transfer of commissioning for individuals with Learning Disabilities formerly classified as section 28a clients commencing in 2009-10 and resulting in full transfer of funding from health by April 2011. During the 2010-11 financial year as part of this transfer process the Council received £59.2m from local primary care trusts in order to pay for contractual obligations that had transferred to the Council. In 2011-12 the Council will be the sole commissioner for all care services for this client group and has been awarded the Learning Disabilities and Health Reform Grant by the Department of Health to fund these services.

Note 9: Dedicated schools grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Reference		Central expenditure £000	Individual Schools Budget (ISB) £000	TOTAL £000
1	Final DSG for 2010/11	-	-	603,506
2	Brought forward from 2009/10	-	-	2,481
3	Carry forward to 2011/12 agreed in advance	-	-	-1,599
4	Agreed budget distribution of DSG	87,347	517,041	604,388
5	Actual central expenditure incl LA contribution to Schools budget	84,665	-	84,665
16	Actual ISB deployed to schools	-	516,378	516,378
7	Local authority contribution for 2010/11	-2,486	0	-2,486
	DSG Applied	82,179	516,378	598,557
8	Carry forward over/under(-) spend to 2011/12			7,430*
	*(includes previously agreed carry-forward (3))			

Reference:
1. DSG Figure as issued by DFE in June 2010 was £604.179m This was later reduced by £673,000 for the conversion of Cleves School to an academy. The final allocation published on the DFE web site was £603.506m
2. Figure brought forward from 2009/10, as agreed with DFE.
3. The amount which the authority decided, after consultation with the schools forum, to carry-forward to 2011/12 rather than distribute in 2010/11. This avoided the need to redetermine schools' budget shares in the summer term when schools had already set their budgets.
4. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum. This includes an increase in the central expenditure limit of £3.289m agreed by the Schools Forum.
5. Actual amount of central expenditure items in 2010/11. Actual expenditure subject to the central expenditure limit was below that budgeted.
6. Amount on ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares). We have taken the view that the ISB is the initial allocation to schools, less in this case the sums recovered by DFE in respect of converting academies Note that of the total of £673,000 recovered by DFE in respect of converting academies only £663,000 relates to the ISB
7. Contribution from the local authority in 2010/11 which has the effect of substituting for DSG in funding the Schools Budget.
8. Carry forward to 2011/12

Note 10: Pooled budgets

Section 75 the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999) enables health and local authorities to work together for a common objective. This may involve a pooled budget, where all partners make a contribution. The Council has entered into five such schemes with the local Primary Care Trust (PCT):

- Surrey integrated community equipment service - for the supply of equipment to enable people with physical disabilities to live at home
- Child and adolescent mental health service – offering support and advice to young people experiencing mental health, emotional and behavioural problems
- HOPE - a partnership that provides intensive support for young people with serious mental health needs.
- SW domiciliary care - for the provision of respite care for children with disabilities and their families.
- Surrey safeguarding children's board – is a key statutory mechanism for agreeing how agencies in Surrey will cooperate to safeguard and promote the welfare of children in Surrey.

Surrey County Council acts as the 'host' authority to all these pooled budgets. The income from other authorities contributions and expenditure for these partnerships are included within the income & expenditure account, which is adjusted for any surplus or deficit that relates to the PCTs. The funding, expenditure and any share of deficits or surpluses attributable to the county council are shown below.

Surrey integrated community equipment service

2009/10 £000		**2010/11 £000**
	Funding provided to the pooled budget	
-2,311	- Surrey County Council	-2,104
-1,891	- Surrey PCT	-2,104
-4,202		-4,208
4,053	Expenditure met from the pooled budget	4,057
-149	Surplus(-) or deficit	-151
	Surrey County Council share	-76

Child & adolescent mental health service

2009/10 £000		**2010/11 £000**
	Funding provided to the pooled budget	
-1,180	- Surrey County Council	-1,192
-1,036	- Surrey PCT	-1,040
-2,216		-2,232
1,871	Expenditure met from the pooled budget	2,106
-345	Surplus(-) or deficit	-126
	Surrey County Council share	-67

HOPE

2009/10 £000		**2010/11 £000**
	Funding provided to the pooled budget	
-582	- Surrey County Council	-605
-818	- Surrey PCT	-818
-1,400		-1,423
1,400	Expenditure met from the pooled budget	1,423
0	Surplus(-) or deficit	0
	Surrey County Council share	0

SW domiciliary care

2009/10 £000		**2010/11 £000**
	Funding provided to the pooled budget	
-206	- Surrey County Council	-206
-158	- Surrey PCT	-158
-364		-364
364	Expenditure met from the pooled budget	364
0	Surplus(-) or deficit	0
	Surrey County Council share	0

Surrey safeguarding children's board

2009/10 £000		**2010/11 £000**
	Funding provided to the pooled budget	
-134	- Surrey County Council	-162
-32	- Police	-39
-8	- Probation	-10
-12	- Surrey boroughs & districts	-14
-151	- Surrey PCT	-185
-18	- Other partners	-24
-355		-434
230	Expenditure met from the pooled budget	267
-125	Surplus(-) or deficit	-167
	Surrey County Council share	-62

Note 11: Landfill Allowance Trading Scheme

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) to reduce the amount of biodegradable municipal waste disposed of to landfill. It also provides the legal framework for the landfill allowance trading scheme (LATS), which commenced operation on 1 April 2005. The scheme allocates tradable landfill allowances to each WDA in England. If a WDA exceeds its landfill allowances then it is liable to a £150 per tonne fine. For the area of Surrey, the county council is the WDA.

For the 2010/11 financial year, the Department for Environment, Food and Rural Affairs (DEFRA) allocated the council tradable landfill allowances of 203,634 tonnes of bio-municipal waste. The council did not purchase any additional allowances during the year.

As the council buries waste in landfill sites it creates a liability, which is measured at the prevailing market rate for tradable landfill allowances. At 31 March 2011, this was £1 per tonne and is included as expenditure in the accounts of the council as £126,042. This liability is matched by the tradable landfill allowances the County has been allocated, or purchased. The allocated allowances are also measured at a rate of £1 per tonne and included as income of £203,634.Unused allowances cannot be carried forward as they cease to be useable for any landfill after the 31 March 2011. As a result of this the unused allowances of 68,242 have been written off at the prevailing market rate of £1 per tonne.

In addition to this, the estimate of 2009/10 usage was 131,081 tonnes, actual allowances used were 140,431. The excess liability 9,350 has been written back to reduce expenditure as has the excess asset to reduce income at the 2009/10 prevailing market rate of £1 per tonne.

The tables below show the amounts included in the Cultural, environmental, regulatory and planning services line of the income and expenditure account and also within the balance sheet that relate to LATS.

Income & Expenditure Account

2009/10 £000		**2010/11 £000**
94	Expenditure on landfill	**135**
98	Loss on expired allowances	**68**
192		**203**
-192	Income from allowances	**-203**
0	**Net expenditure**	**0**

Balance Sheet

2009/10 £000		**2010/11 £000**
	Current Assets	
131	Landfill usage allowances	**135**
	Current Liabilities	
-131	Liability to DEFRA for landfill usage	**-135**

Note 12: Other operating expenditure

2009/10 £000		**2010/11 £000**
957	Land Drainage Precept	**956**
-410	Miscellaneous Income and Expenditure	**-343**
-681	Contributions from trading services	**-380**
-100	Change in Provisions	**-100**
-1,945	Profit(-) or Loss on Sale of Fixed Assets	**-928**
-2,179		**-795**

Note 13: Financing and investment income and expenditure

The County Council earns income in the form of interest on its cash balances and short-term lending. The County Council also incurs interest charges on its outstanding debt and leases. In addition, it pays interest to third parties on the balances held on their behalf, including Surrey Pension Fund, Surrey Police Authority and various trust funds.

In addition, the expected return on pension fund assets and pension fund interest costs are also charged to the operating expenditure against financing and investment income & expenditure, further details on the accounting entries in relation to the pension fund are detailed in note 23.

The table below shows the interest paid and received, and other similar charges during 2009/10 and 2010/11.

2009/10 £000		**2010/11 £000**
16,317	Interest payable and similar charges	**15,315**
51,278	Pensions interest cost and return on assets	**42,796**
-4,044	Interest receivable and similar income	**-2,277**
63,551		**55,834**

Note 14: Taxation and non-specific grant income

2009/10 £000		**2010/11 £000**
536,855	Council tax income	**555,699**
102,134	Non domestic rates	**111,322**
75,565	Non-ringfenced government grants	**86,625**
62,831	Capital Grants and contributions	**71,603**
777,385		**825,249**

Note 15: Grant income

The Authority credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2010/11. This forms part of the taxation and non specific grant income figure, which also includes council tax income.

2009/10 £000		**2010/11 £000**
	Credited to Taxation and Non Specific Grant Income	
102,134	Non domestic rates	**111,322**
23,574	Revenue Support Grant	**16,165**
39,869	Area Based Grant	**52,068**
10,955	Private Finance Initiative Grant	**18,392**
24,688	Partnership for Schools (Standards Fund)	**35,452**
10,018	Capital contributions from schools	**9,849**
5,417	Quality and Access for Early Years	**5,754**
23,875	Other Capital grants & Contributions	**20,548**
240,530	**Total**	**269,550**

	Credited to Services	
567,993	Dedicated Schools Grant	**589,796**
32,644	Standards Fund incl. School Development Grant	**46,964**
27,749	School Standards Grant/SSGP	**28,700**
41,097	Young People Learning Agency (replaced LSC)	**80,813**
19,866	Early Years and Child Care	**25,049**
18,846	Supporting People (in ABG for 2010/11)	**0**
35,110	Other grants	**37,711**
743,305	**Total**	**809,033**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

2009/10 £000		**2010/11 £000**
	Capital Grants Receipts in Advance	
0	Capital grant DfE Partnership for Schools (Standards Fund)	28,199
5,273	Capital contributions from developers S106 for Highways and Transport Service	4,769
0	Capital contributions from schools	3,136
4,286	Other capital grants and contributions	4,615
9,559	**Receipts in Advance Total**	**40,719**

Note 16: Trading operations

Surrey Commercial Services is the in-house contractor for the county council's catering (school meals and staff restaurants including County Hall), cleaning (Schools, offices and operational buildings), and a maintenance service for sports, craft and design equipment in schools. Nearly all work is won under formal tendering procedures. The table below shows the income and expenditure for 2010/11.

	2008/09 £000	2009/10 £000	**2010/11 £000**
Turnover	-20,764	-21,537	**-22,339**
Expenditure	20,762	21,077	**21,715**
Surplus(-)	- 2	- 460	**-624**
Support services recharged to Expenditure of Continuing Operations	687	-221	**244**
Net surplus credited to other Operating Expenditure	685	-681	**-380**

Commercial Services made a trading surplus and cash contribution to the council's general balances of £624,000 in 2010/11.

Note 17: Agency Services

The Authority provided the following agency services in 2010/11:

2009/10 £000		**2010/11 £000**
0	Expenditure incurred in providing library services within prisons for the Home Office	**133,212**
0	Amount recharged to the Home Office	**-133,212**
0	**Net surplus arising on the agency agreement**	**0**
188	Expenditure incurred in providing Treasury Management services to the Surrey Local Government Pension Scheme	**229**
-188	Management fee payable by the Surrey Local Government Pension Fund	**-229**
0	**Net surplus arising on the agency agreement**	**0**
13	Expenditure incurred in providing Treasury Management services to the Surrey Police Authority	**21**
-15	Management fee payable by the Surrey Police Authority	**-23**
(2)	**Net surplus arising on the agency agreement**	**-2**
1,256	Expenditure incurred in providing Pension Administration services to the Surrey Local Government Pension Scheme	**1,388**
-1,256	Management fee payable by the Surrey Local Government Pension Fund	**-1,388**
0	**Net surplus arising on the agency agreement**	**0**

In addition, Surrey County Council provides payroll services to a number of external organisations on an Agency basis. A charge is made for these services to cover the cost of provision and the income collected is approximately £50,000 per annum.

Note 18: Members' allowances

2009/10 £000		**2010/11 £000**
1,575	Allowances	1,582
94	Expenses	78
1,669		1,660

Note 19: Officers' remuneration

Council Leadership Team:

Post	Note	Year	Salary £	Expense Allowances £	Bonus	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Executive - D McNulty		2010/11	210,000	12,053		222,053	31,080	253,133
	1	2009/10	150,726	3,040		153,766	22,307	176,073
Chief Executive - M Frater	2	2009/10	74,100	6,926		81,026	0	81,026
Strategic Director of Children, Schools & Families - A Roberts	3	2010/11	147,884		12,000	159,884	23,663	183,547
		2009/10	172,517		17,524	190,041	26,264	216,305
Strategic Director of Children, Schools & Families - N Wilson	4	2010/11	20,833			20,833	3,083	23,916
Strategic Director of Adult Social Care - S Mitchell		2010/11	143,850			143,850	21,290	165,140
		2009/10	143,850			143,850	21,290	165,140
Strategic Director of Change & Efficiency - J Fisher		2010/11	128,291			128,291	19,320	147,611
	5	2009/10	108,798			108,798	16,532	125,330
Strategic Director of Corporate Services - J Govett	6	2009/10	56,956			56,956	6,991	63,947
Strategic Director of Environment & Infrastructure – T Pugh		2010/11	137,408			137,408	20,720	158,128
	7	2009/10	120,685			120,685	17,935	138,620
Strategic Director of Customers & Communities - Y Rees		2010/11	128,438			128,438	19,009	147,447
		2009/10	128,638			128,638	19,009	147,647
Assistant Chief Executive - S Kemp		2010/11	106,000			106,000	15,688	121,688
	8	2009/10	23,651			23,651	3,500	27,151
Assistant Chief Executive	8	2009/10	46,518			46,518	6,663	53,181
Head of Finance - P Walker	9	2010/11	111,770			111,770	16,177	127,947
		2009/10	107,891			107,891	16,041	123,932
Head of Legal Services - A Charlton		2010/11	100,000			100,000	14,800	114,800
		2009/10	99,009			99,009	14,653	113,662
Total		2010/11	1,234,474	12,053	12,000	1,258,527	184,830	1,443,357
		2009/10	1,233,339	9,966	17,524	1,260,829	171,185	1,432,015

1. D McNulty started as Chief Executive on 13 July 2009; the annualised salary for 2009/10 was £210,000. One off expenses were for moving costs.

2. M Frater left the post of Interim Chief Executive on 23 July 2009; the annualised salary for 2009/10 (excluding agency fees) was £312,857.
3. A Roberts left the post of Strategic Director of Children, Schools & Families on 31st January 2011. The annualised salary for 2010/11 was £177,461.
4. N Wilson started as Acting Strategic Director of Children, Schools & Families on 1st February 2011. The annualised salary for 2010/11 was £125,000.
5. J Fisher started as Strategic Director of Change & Efficiency (formerly Corporate Services) on 25 May 2009; the average annualised salary was £130,543.
6. J Govett resigned as Strategic Director of Corporate Services on 8 July 2009; the annualised salary was £175,728.
7. T Pugh started as Strategic Director of Environment & Infrastructure (formerly part of Communities) on 20 May 2009; the annualised salary was £140,000.
8. The Assistant Chief Executive retired on 10 August 2009; the annualised salary was £126,415. S Kemp started in this post on 11 January 2010; the annualised salary was £106,000.
9. P Walker's last day as Head of Finance was the 31 March 2011, redundancy of £57,163 was paid to him in April (this amount will be funded from the provision in 2011/12).
10. Annualised salaries, stated above exclude pension contributions.

Senior officers remuneration

Remuneration paid to senior officers during 2010/11 fell into the following bands:

Remuneration (£)	2009/10 Total Numbers	**2010/11 Total Numbers**	2009/10 Schools Numbers	**2010/11 Schools Numbers**	2009/10 Non School Numbers	**2010/11 Non School Numbers**
50,000-54,999	317	**353**	156	**195**	161	**158**
55,000-59,999	200	**220**	124	**136**	76	**84**
60,000-64,999	114	**145**	66	**91**	48	**54**
65,000-69,999	96	**105**	44	**55**	52	**50**
70,000-74,999	52	**55**	24	**29**	28	**26**
75,000-79,999	45	**38**	20	**17**	25	**21**
80,000-84,999	16	**21**	4	**9**	12	**12**
85,000-89,999	21	**22**	9	**10**	12	**12**
90,000-94,999	9	**13**	6	**5**	3	**8**
95,000-99,999	13	**11**	8	**4**	5	**7**
100,000-104,999	6	**12**		**9**	6	**3**
105,000-109,999	2	**6**		**3**	2	**3**
110,000-114,999	4	**4**	1	**0**	3	**4**
115,000-119,999		**1**		**0**		**1**
120,000-124-999	5	**2**	3	**2**	2	
125,000-129,999	3	**3**		**1**	3	**2**
130,000-134,999		**1**		**1**		
135,000-139,999		**1**				**1**
140,000-144,999	1	**2**			1	**2**
150,000-154,999	1				1	
155,000-159,999		**1**				**1**
190,000-194,999	1				1	
210,000-214,999		**1**				**1**
	906	**1,017**	465	**567**	441	**450**

Amounts exclude pension costs but include payments, taxable allowances, monetary value of other employee benefits, lump sum redundancy and pay in lieu of notice payments.

Note 20: External audit costs

2009/10 £'000		2010/11 £'000
331	Fees payable to the Audit Commission with regards to external audit services carried out by the appointed auditor for the year	342
24	Fees payable to the Audit Commission in respect of statutory inspections	0
2	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	4
2	Fees payable in respect of other services provided by the Audit Commission during the year	15
359		361

The fees for other services payable in 2009/10 relate to the National Fraud Initiative. The fees for other services payable in 2010/11 relate to the National Fraud Initiative and specialist advice on the accounting treatment for PFI. The Audit Commission did not split out the cost of inspections in the 2010/11 fee

Note 21: Termination benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £3.4m (£0.9m in 2009/10). Of this total, £1.7m was paid to 111 officers who had left by 31 March 2011. In addition a provision of £1.7m was made in relation to redundancies which had been approved in 2010/11 but which no payment had yet been made.

The £3.4m payable, the split by directorate is:

Adult Social Care	£1.1m
Children, Schools and Families	£0.5m
Customers and Communities	£0.5m
Environment and Infrastructure	£0.6m
Chief Executive’s Office	£0.4m
Change and Efficiency	£0.3m

Note 22: Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is included in central budgets and not charged to directorates.

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

	Adult Social care £000	Children, Schools & Families £000	Customers & Communities £000	Environment & Infrastructure £000	Change & Efficiency £000	Chief Executives Office	Total £000
Fees, charges & other service income	-113,891	-74,826	-12,311	-17,824	-11,762	-739	**-231,353**
Government Grants	-8,780	-784,453	-11,757	-2,363	-261	-58	**-807,672**
Total Income	**-122,671**	**-859,279**	**-24,068**	**-20,187**	**-12,023**	**-797**	**-1,039,025**
Employee expenses	66,868	628,554	58,333	22,759	36,734	10,514	**823,762**
Other operating expenses	311,174	378,587	25,728	106,987	56,529	5,709	**884,714**
Total operating expenses	**378,042**	**1.007,141**	**84,061**	**129,746**	**93,263**	**16,223**	**1,708,476**
Net Cost of Services	**255,371**	**147,862**	**59,993**	**109,559**	**81,240**	**15,426**	**669,451**

2009/10 Comparators:

	Adult social care £000	Children, Schools & Families £000	Customers & Communities £000	Environment & Infrastructure £000	Change & Efficiency £000	CE	Total £000
Fees, charges & other service income	-96,927	-55,161	-12,183	-18,040	-12,147	-214	**-194,672**
Government Grants	-24,280	-704,900	-11,508	-991	-127	0	**-741,805**
Total Income	**-121,206**	**-760,060**	**-23,691**	**-19,031**	**-12,274**	**-214**	**-936,477**
Employee expenses	65,098	608,634	53,825	23,744	38,765	7,004	**797,069**
Other operating expenses	299,941	311,218	30,325	101,670	64,674	6,159	**813,986**
Total operating expenses	**365,039**	**919,852**	**84,149**	**125,414**	**103,439**	**13,163**	**1,611,056**
Net Cost of Services	**243,832**	**159,791**	**60,458**	**106,383**	**91,165**	**12,949**	**674,579**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2009/10 £000		**2010/11 £000**
674,579	Cost of services in analysis	**669,451**
-21,839	Add services not included in analysis	**-24,199**
108,809	Add amounts included in Comprehensive Income & Expenditure Statement to fulfil accounting requirements, which are not reported to management as they are required by statute to be excluded from the funding calculations	**-76,554**
21,270	Remove amounts which impact of funding decisions and are reported to management but are not included in comprehensive income & expenditure statement	**33,502**
782,819	**Net cost of services in comprehensive income & expenditure statement**	**602,200**

Reconciliation to Subjective Analysis
This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus(-) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Service Analysis £000	**Services not in Analysis £000**	**Included in I&E but not Reported £000**	**Reported but not included in I&E £000**	**Net Cost of Services £000**	**Corporate Amounts £000**	**Total £000**
Fees, charges & other service income	-231,353	-1,941	-143	9,268	**-224,169**	-9,268	**-233,437**
Interest & investment income		-4,044	976	1,301	**-1,767**	-2,277	**-4,044**
Income from Council Tax					**0**	-555,698	**-555,698**
Government Grants	-807,672	-75,273	0	70,460	**-812,485**	-269,550	**-1,082,035**
Total income	**-1,039,025**	**-81,258**	**833**	**81,029**	**-1,038,421**	**-836,793**	**-1,875,214**
Employee Expenses	823,762	-398	-177,046		**646,318**		**646,318**
Other service expenses	884,714	40,184	-17,427	-33,497	**873,974**	8,444	**882,418**
Depreciation, amortisation & impairment			161,747		**161,747**		**161,747**
Interest payments		16,317	-44,661	-13,074	**-41,418**	58,111	**16,693**
Precepts & levies		956		-956	**0**	956	**956**
Gain or Loss on Disposal of fixed assets					**0**	-928	**-928**
Total operating expenses	**1,708,476**	**57,059**	**-77,387**	**-47,527**	**1,640,621**	**66,583**	**1,707,204**
Surplus or deficit on the provision of services	**669,451**	**-24,199**	**-76,554**	**33,502**	**602,200**	**-770,210**	**-168,010**

2009/10 Comparators:

	Service Analysis £000	Services not in Analysis £000	Included in I&E but not Reported £000	Reported but not included in I&E £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-194,672	-6,281	-136	586	**-200,503**	-586	**-201,089**
Interest & investment income		-4,044	0	4,044	**0**	-45,011	**-45,011**
Income from Council Tax					**0**	-536,855	**-536,855**
Government Grants	-741,805	-52,194	2,985	51,991	**-739,023**	-240,530	**-979,553**
Total income	**-936,477**	**-62,519**	**2,849**	**56,621**	**-939,526**	**-822,982**	**-1,762,508**
Employee Expenses	797,069	11	-27,412	-11	**769,657**	11	**769,668**
Other service expenses	813,986	23,395	681	-18,066	**819,996**	-616	**819,380**
Depreciation, amortisation & impairment			132,691		**132,691**		**132,691**
Interest payments		16,317		-16,317	**0**	108,562	**108,562**
Precepts & levies		957		-957	**0**	957	**957**
Gain or Loss on Disposal of fixed assets					**0**	-1,945	**-1,945**
Total operating expenses	**1,611,056**	**40,680**	**105,960**	**-35,351**	**1,722,344**	**106,969**	**1,828,964**
Surplus or deficit on the provision of services	**674,579**	**-21,839**	**108,809**	**21,270**	**782,819**	**-716,013**	**66,806**

Note 23: Pension Schemes

Pension Schemes Accounted for as Defined Contribution Schemes
Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the county council paid £54.5m to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.3% of pensionable pay. The figures for 2009/10 were £53.4m and 13.4%. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

Defined Benefit Pension Schemes

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in three schemes:

- The Local Government Pension Scheme (LGPS), administered by the council. This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets in the long term.
- The council also administers the firefighters' pension scheme. It is an unfunded defined benefit scheme, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due, net of contributions from active members and government grants.
- The Teachers' pensions schemes.

Transactions Relating to Post-employment Benefits
The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme **2010/11** **£000**	Local Government Pension Scheme 2009/10 £000	Firefighters' pension scheme **2010/11** **£000**	Firefighters' pension scheme 2009/10 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
- current service cost	**53,284**	29,538	**10,200**	5,700
- past service cost*	**-170,562**	118	**-41,800**	
- settlements and curtailments	**1,432**	718		
Financing & Investment Income & Expenditure				
-other operating expenditure (trading services)		-256		
- interest cost	**89,558**	73,445	**19,900**	18,800
- expected return on scheme assets	**-66,662**	-40,967		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**-92,950**	**62,596**	**-11,700**	**24,500**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
- actuarial (gains) and losses	**-230,732**	382,556	**-20,200**	107,000
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**-323,682**	**445,152**	**-31,900**	**131,500**
Movement in Reserves Statement				
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	**92,950**	-62,596	**11,700**	**-24,500**
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions to the scheme / retirement benefits paid direct to pensioners	**58,000**	56,786	**10,811**	9,648

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £365.2m (£287.8m in relation to the LGPS and & £77.4m in relation to the firefighters’ pension scheme).

*Following the Chancellor’s budget statement on 22 June 2010 the actuary based their calculations on future pension increases being linked to the Consumer Prices Index and not the Retail Prices Index. The effect of this change come through as a negative past service cost item.

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters' pension scheme	
	2009/10	**2010/11**	2009/10	**2010/11**
	£000	**£000**	£000	**£000**
Opening Balance at 1 April	-1,067,912	**-1,756,940**	-274,889	**-396,226**
Current service cost	-29,282	**-53,285**	-5,700	**-10,200**
Interest cost	-73,445	**-89,558**	-18,800	**-19,900**
Contributions by scheme participants	-17,273	**-17,585**	-2,200	**-2,200**
Actuarial gains and losses	-607,876	**238,352**	-107,000	**20,200**
Pensions and lump sum expenditure			12,600	**13,800**
Benefits paid	40,736	**51,285**		
Past service costs	-118	**168,631**		**41,800**
Curtailments	-718	**-2,164**		
Settlements		**1,067**		
Employer contributions adjustment*	-1,052	**495**	-237	**-789**
Closing balance at 31 March	-1,756,940	**-1,459,702**	-396,226	**-353,515**

* difference between actuary estimate of employer contributions and actual contributions paid

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme		Firefighters' pension scheme	
	2009/10	**2010/11**	2009/10	**2010/11**
	£000	**£000**	£000	**£000**
Opening Balance at 1 April	613,352	**914,015**		
Expected rate of return	40,968	**66,662**		
Actuarial gains and losses	225,320	**-7,620**		
Employer Contributions	57,838	**59,436**		
Contributions by scheme participants	17,273	**17,585**		
Benefits paid	-40,736	**-51,285**		
Settlements		**-336**		
Closing balance at 31 March	914,015	**998,457**	**0**	**0**
Net Asset Liability	-842,925	**-461,244**	-396,226	**-353,515**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £82.8m (2009/10: £266.3m).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	**2010/11 £000**
Present value of liabilities:					
Local Government Pensions Scheme	-1,174,275	-1,070,390	-1,067,912	-1,756,940	**-1,459,701**
Firefighters' Pension Fund	-311,639	-263,137	-274,889	-396,226	**-353,515**
Fair value of assets in the Local Government Pension Scheme	767,040	767,564	613,352	914,014	**998,457**
Surplus/(Deficit) in the scheme:					
Local Government Pensions Scheme	-407,235	-302,826	-454,560	-842,926	**-461,244**
Firefighters' Pension Fund	-311,639	-263,137	-274,889	-396,226	**-353,515**
Total	-718,874	-565,963	-729,449	-1,239,152	**-814,759**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £814m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The council is making lump sum payments to the pension fund in addition to the contributions related to current employees. This has the aim of eliminating the council's share of the pension fund deficit by 2027.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £56.1m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and the firefighters' pension scheme have been assessed by the council's actuaries, Hymans Robertson using the latest full valuation of the scheme as at 31 March 2007 and 31 December 2006 respectively.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Firefighters' pension scheme	
	2010/11 £000	2009/10 £000	**2010/11 £000**	2009/10 £000
Long-term expected rate of return on assets in the scheme:				
- equity investments	7.5%	7.8%	-	-
- bonds	4.9%	5.0%	-	-
- property	5.5%	5.8%	-	-
- other (cash)	4.6%	4.8%	-	-
Mortality assumptions:				
- longevitiy at 65 for current pensioners (60 for firefighters):				
- Men	21.9 years	22.7 years	27.9 years	27.6 years

- Women	24.0 years	26.1 years	30.8 years	31.0 years
- longevitiy at 65 for future pensioners (60 for firefighters):				
- Men	23.9 years	24.8 years	29.5 years	29.2 years
- Women	25.9 years#	28.3 years	32.3 years	32.7 years
Rate of inflation	2.8%	3.8%	3.6%	3.8%
Rate of increase in salaries*	5.1%	5.3%	4.6%	5.3%
Rate of increase in pensions	2.8%	3.8%	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	25.0%	25.0%	-	-

* Salary increases are 1% pa nominal for the year to 31 March 2011 and 31 March 2012, reverting to 5.1% thereafter

The firefighters' pension scheme has no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2010/11	2009/10
	%	%
Equity Investments	**76**	75
Debt Instruments (Bonds)	**16**	17
Property	**5**	6
Other Assets (Cash)	**3**	2
	100	100

History of Experience Gains and Losses
The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	Local Government Pension Scheme				
	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Difference between the expected & actual rate of return on assets	0.0%	10.6%	39.3%	24.7%	1.6%
Experienced gains & losses on liabilities	0.2%	1.4%	0.0%	0.1%	6.5%

	Firefighters' Pension Fund				
	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Difference between the expected & actual rate of return on assets	-	-	-	-	-
Experienced gains & losses on liabilities	2.5%	0.9%	-1.6%	1.6%	3.2%

Note 24: Related parties

In accordance with IAS 24 the County Council is required to disclose material transactions with related parties – defined as bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central government has effective control over the general operations of the council: it is responsible for providing the majority of its funding in the form of grants, and prescribes the terms of significant transactions with other parties (e.g. council tax precepts on district councils). Details of transaction with central government are contained within the accounts and accompanying notes in this statement of accounts.

Elected Members of the council have direct control over the council's financial and operating policies. As required by Section 81 of the Local Government Act 2000, Members' outside interests are recorded in a formal Register and the Code of Conduct operated by the council requires members to disclose any related interests they have and to take no part in decisions on issues concerning those related interests.

The total of members' allowances paid in 2010/11 is shown in Note 18.

In addition, a survey of the related party interests of members in office during the 2010/11 financial year and their immediate family members was carried out in preparing this statement of accounts. There were responses from all 78 members. The council had transactions with 39 bodies that members declared an interest in, with a total value of £32.6m. Of this, payments of £13.8m were to the Surrey and Borders Partnership Foundation Trust in which 3 members declared an interest, £10.5m to 4 colleges in which 4 members declared an interest, £1.3m was to Surrey Wildlife Trust in which 8 members declared an interest; £1.3m was to Disability Challengers in which 1 member declared an interest, £0.9m was to Surrey Care Association in which 1 member declared an interest; £1.4m was to Surrey Police Authority in which 8 members declared an interest; £0.5m was to Disability Initiative in which 1 member declared an interest and £0.5m was to Surrey Care Trust in which 1 member declared an interest.

Senior Officers are deemed to include all officers in levels 1 – 5 of the management structure. The council had transactions with 14 other bodies in which an interest was declared totalling £7.6m. This includes payments of £1.4m to Surrey Police Authority in which one officer declared an interest; £0.7m to Queen Elizabeth Foundation in which one officer declared an interest; and £4.9m to Cable and Wireless in which one officer declared an interest.

Other Public Bodies – the Council has a number of pooled budget arrangements and these are detailed in Note 10.

Surrey County Council pension fund – during the financial year employer's pension contributions paid by the council to the pension fund totalled £58,408,297.

Entities Controlled or Significantly Influenced by the Council – the Council does exercise significant control over one trust fund and the details are provided in the Trust Fund Note on page X.

Note 25: Property, plant & equipment
Movements in 2010/11

	Land and Buildings	Vehicle, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost (revalued)							
Restated balance at 1 April 2010	**1,238,779**	**56,201**	**511,294**	**1,003**	**24,038**	**50,029**	**1,881,344**
Additions	22,241	4,937	18,862	139		58,359	104,538
PFI street lighting addition			14,732				14,732
Less REFCUS						-25,590	-25,590
Donations		31					31
Revaluations recognised in the Revaluation Reserve	22,373	82			15,313		37,768
Reclassification	6,595		2,154			-8,749	0
Assets reclassified (to)/from Surplus Assets	6,594			3,499	-12,558		-2,465
At 31 March 2011	**1,296,582**	**61,251**	**547,042**	**4,641**	**26,793**	**74,049**	**2,010,358**
Restated balance at 1 April 2010	**-234,667**	**-32,772**	**-293,093**	**0**	**0**	**0**	**-560,532**
Depreciation charge	-37,237	-5,537	-39,487	0	0	0	-82,261
Impairment losses recognised in the Revaluation Reserve	-1,999						-1,999
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-30,777	-100	-561			-20,109	-51,547
At 31 March 2011	**-304,680**	**-38,409**	**-333,141**	**0**	**0**	**-20,109**	**-696,339**
Net Book Value							
Restated at 31 March 2010	**1,004,112**	**23,429**	**218,201**	**1,003**	**24,038**	**50,029**	**1,320,812**
at 31 March 2011	**991,902**	**22,842**	**213,901**	**4,641**	**26,793**	**53,940**	**1,314,019**

* These amounts include assets acquired under PFI schemes, please see note 29 for additional details.

Comparative Movements in 2009/10

	Land and Buildings	Vehicle, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost (revalued)							
Restated balance at 1 April 2009	**1,148,533**	**54,537**	**479,667**	**780**	**25,456**	**21,724**	**1,730,696**
Additions	50,658	3,389	31,795	223	0	29,243	115,308
Less REFCUS	-22,654	-1,456	-168				-24,278)
Donations		25					25
Revaluations recognised in the Revaluation Reserve	72,256						72,256
Derecognition - disposals							0
Reclassifications	938					-938	0
Asset acquired under pooled budget		-170					-170
Transfers to Asset Held for Sale	-162				-1,418		-1,580
- less non-capitalised expenditure funded by grant	-10,790	-124					-10,914
At 31 March 2010	**1,238,779**	**56,201**	**511,294**	**1,003**	**24,038**	**50,029**	**1,881,343**
Accumulated Depreciation and Impairment							
At 1 April 2009	-182,095	-27,240	-256,388	0	0	0	-465,723
Depreciation charge	-34,308	-5,532	-36,705	0	0	0	-76,545
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-18,264						-18,264
At 31 March 2010	**-234,667**	**-32,772**	**-293,093**	**0**	**0**	**0**	**-560,532**
Net Book Value							
at 31 March 2009	**966,439**	**27,297**	**223,279**	**780**	**25,456**	**21,724**	**1,264,975**
at 31 March 2010	**1,004,112**	**23,429**	**218,201**	**1,003**	**24,038**	**50,029**	**1,320,812**

Capital Commitments

At 31 March 2011, the Authority has entered into a contract for the construction or enhancement of Property, Plant & Equipment in 2011/12 and future years, budgeted to cost £1.3m. Similar commitments at 31 March 2010 were £1.9m. The major commitment is:

- Schools Modernisation: Ashley Primary School £1.3m

Revaluations
The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out by The Valuation Office, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

	Land and Buildings
	£'000
Carried at historical cost	64,910
Change in fair value as at:	
31 March 2007	38,212
31 March 2008	54,129
31 March 2009	324,335
31 March 2010	376,943
31 March 2011	133,373
Total	**991,902**

Foundation, Voluntary Aided & Voluntary Controlled Schools & Academies

Foundation
The local authority funds foundation schools but they are owned and managed, including the provision of support services by the governing body and therefore values for non-current assets have not been consolidated in this balance sheet.

Voluntary Aided
Voluntary aided schools are endowed by a trust, often religious in character. The Schools Standards Framework Act determines that the trustees own the school buildings and the governing bodies are responsible for the provision of premises and all capital work to school buildings. However, the Council is statutorily responsible for the land. Consequently, values for the buildings have not been consolidated in this balance sheet, but values for the playing fields have been included as non-current assets.

Voluntary Controlled
Voluntary Controlled schools are owned by a charity but the local authority runs the schools and employs the staff. The Council is normally the freeholder of the non-current assets and accordingly the school premises have been recognised as property, plant and equipment in this balance sheet.

Academies
As at the 31 March one school had transferred to academy status. The school is owned and managed completely independently of the local authority and therefore the non-current assets have been excluded from this balance sheet.

Note 26: Intangible assets
The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT network and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

SAP is the only item of capitalised software that is individually material to the financial statements and a useful life of 10 years has been assigned to it.

	Carrying Amount		Remaining Amortisation Period
	31 March 2010	31 March 2011	
	£000	£000	
SAP	9,000	7,170	4 years

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.379m charged to revenue in 2010-11 was charged to the IMT administration cost centre and then absorbed as an overhead cost across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

2009-10 Intangible Assets £000		**2010-11 Intangible Assets £000**
22,330	Gross carrying amounts at 1 April	**22,453**
123	Additions	**52**
22,453	Gross carrying amounts at 31 March	**22,505**
-8,661	Accumulated amortisation at 1st April	**-11,376**
-2,715	Amortisation charge in year	**-2,379**
11,077	Net carrying amount at 31 March	**8,750**

Note 27: Impairment losses
During 2010/11, the Authority has recognised in total an impairment loss of £53.5m.

£32.8m is in relation to property assets. This is land and building assets which are re-valued based on existing use value, as part of the five year rolling programme by the County's external valuers. An impairment loss of £2m is recognised in the Revaluation Reserve (as there were previous upwards revaluations in relation to these assets) and £30.8m is charged to the Comprehensive Income and Expenditure Statement, as there was no balance in the revaluation reserve in relation to these assets.

£14.1m relates to capital expenditure which is below the council's de minimis levels and consequently is written off to the Comprehensive Income & expenditure Statement in the year it is incurred. A further £0.6m was written off to the Comprehensive Income & Expenditure Statement as a result of an impairment to assets previously classed as assets under construction.

A further £0.6m impairment relates to Infrastructure assets, where the Council has replaced the street lighting assets under the PFI contract. The replacement assets have been added to the balance sheet in line with the appropriate accounting treatment fro PFIs and similar

contracts and the replaced assets impaired, this is charged to the Comprehensive Income and Expenditure Statement

Note 28: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		**2010/11 £000**
	Capital Financing	
	Capital investment:	
90,331	Property, Plant and Equipment	78,948
123	Intangible Assets	52
24,278	Revenue Expenditure Funded from Capital Under Statute	25,590
114,732		**104,590**
	Sources of Finance	
-13,245	Capital receipts	-5,094
-66,239	Government grants and other contributions	-64,116
-2,391	Sums set aside from revenue	-4,950
-1,800	Direct revenue contributions	-1,307
-83,675		**-75,467**
31,057	Capital Financing Requirement	29,123
511,946	Opening Capital Financing Requirement	520,521
28,061	Increase in underlying need to borrowing (unsupported by government financial assistance)	29,123
2,996	Increase in underlying need to borrowing (supported by government financial assistance)	0
31,057	Increase / decrease(-) in Capital Financing Requirement	29,123
-22,875	Minimum Revenue Provision	-26,284
699	Assets acquired under finance leases	14,732
-136	PFI Deferred Income	-143
-170	Pooled budget capital expenditure	
520,521	**Closing Capital Financing requirement**	**537,949**

Note 29: Private Finance Initiatives and similar contracts

In line with the 2009 SORP the council has changed the way in which it accounts for PFI and similar contracts. These are contracts for services that depend upon the use of an asset either created or enhanced by the contractor. Where the council effectively controls the

operation of the asset and has a significant interest in the asset at the end of the contract the asset is accounted for on the county's balance sheet. The county has recognised assets under four such contracts.

In 1999 the council entered into a 25-year contract for waste disposal with Surrey Waste Management. The annual payments under the contract are in part dependant upon the tonnage of waste sent for disposal so that the contractor manages demand risk at higher tonnage levels whereas this risk falls on the council if tonnages fall. The original planned investment in new disposal facilities did not proceed due to planning constraints and a large proportion of the investment remains to be delivered. As a result the council faces a contingent liability as described in note 48.

In 1998 the council entered into a long-term contract with Anchor Trust for the purchase of residential and day care for the elderly in 17 homes previously operated by the council. Whilst the council is committed to purchasing the majority of beds in the homes the contractor is able to manage the remaining capacity for their own benefit. The council is committed to purchasing 71% of the beds available and day care facilities irrespective of whether these are used for the county's clients. Of the 17 homes nine return to council management after 21 years. The remaining eight homes remain under the control of Anchor Trust for a further nine years although the county will no longer be obliged to purchase beds under the terms of the original contract. The ability of Anchor to exploit some of the capacity of the homes has been recognised as a deferred income liability.

In 2002 the council entered into a further long-term contract for the provision of residential and day care with Care UK. The contract has similar terms to that with Anchor Trust. The council is committed to purchasing 77% of the beds as well as day care facilities. All of the homes return to Surrey's management at the end of the 25-year contract at nil cost with the exception of one home where the council has the option to terminate the lease under the project agreement at advantageous terms.

In 2010 the council entered into a long term contract with Skanska John Laing for street lighting services. The contract, which is expected to last 25 years, will include the replacement or refurbishment of all 89,000 street lights in Surrey during the first five years, and continued maintenance of lights for the remainder of the contract term. At the end of the contract all equipment will return to the county's management.

Property Plant and Equipment

The assets used to provide services in relation to these arrangements are recognised on the Authority's Balance Sheet. Movements in their value over the year are included in the analysis of the movement on the Property, Plant and Equipment balance in Note 25. Assets in relation to Anchor Homes, Care UK and the Waste contract are recognised as land and buildings and those assets in relation to the street lighting contract are recognised as infrastructure assets. The table below summarises the movement:

	2010/11		2009/10	
	Land & Buildings £000	**Infrastructure £000**	Land & Buildings £000	Infrastructure £000
Gross cost at 1 April	**79,120**	**339**	62,264	0
Additions		**14,732**	360	339
Revaluations			16,496	
Gross Cost at 31 March	**79,120**	**15,071**	79,120	339
Accumulated Depreciation and Impairment at 1 April	**-11,201**	**0**	-9,845	0
Depreciation charge for the year	**-1,323**	**-39**	-1,356	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services		**-561**	0	0
Accumulated Depreciation and Impairment at 31 March	**-12,524**	**-600**	-11,201	0
Net book Value at 1 April	**67,919**	**339**	52,419	0
Net book value at 31 March	**66,596**	**14,471**	67,919	339

Payments

Payments remaining to be made under the PFI contract at 31 March 2011 (based on 2010/11 prices, excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payable in 2011/12 £000	Payable within two to five years £000	Payable within six to ten years £000	Payable within 11 to 15 years £000	Payable within 16 to 20 years £000	Payable within 21 to 25 years £000	**TOTAL £000**
Payment for Services							
- Waste*	33,541	134,162	167,703	100,622			**436,028**
- Anchor Trust	16,086	64,345	48,259				**128,690**
- Care UK	8,473	33,893	42,366	42,366	8,473		**135,571**
- Street Lighting	3,105	11,252	9,553	9,750	10,326	8,667	**52,653**
	61,205	243,652	267,881	152,738	18,799	8,667	**752,942**
Reimbursement of Capital Expenditure							
- Waste*	240	1,117	1,825	1,384			**4,566**
- Anchor Trust	1,350	6,271	5,775				**13,396**
- Care UK	67	310	507	681	162		**1,727**
- Street Lighting	2,398	5,754	10,123	13,937	19,695	21,443	**73,350**
	4,055	13,452	18,230	16,002	19,857	21,443	**93,039**
Interest							
- Waste*	278	957	768	172			**2,175**
- Anchor Trust	813	2,383	715				**3,911**
- Care UK	105	377	353	179	10		**1,024**
- Street Lighting	1,878	20,671	31,879	27,868	21,534	10,256	**114,086**
	3,074	24,388	33,715	28,219	21,544	10,256	**121,196**
TOTAL	**68,334**	**281,492**	**319,826**	**196,959**	**60,200**	**40,366**	**967,177**

*The projected costs for the waste contract are based on capital investment up to 2010/11. When further facilities are delivered under the contract, the council's commitments will increase.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide,

the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The value of any capital works are matched in the balance sheet by recognising a liability, either a finance lease liability or a deferred income liability where the contractor is able to exploit the assets for their own business. The movement on these liabilities in 2010/11 is as follows:

2009/10 Deferred Income Liability £000	2009/10 Finance Lease Liability £000		**2010/11 Finance Lease Liability £000**	**2010/11 Deferred Income Liability £000**
-13,093	-22,385	Balance outstanding at the start of the year	**-21,106**	**-12,957**
	1,978	Payments during the year	**4,380**	
	-699	Capital expenditure incurred in the year	**-14,732**	
136		Amortisation of deferred income		**143**
-12,957	-21,106	Balance outstanding at year end	**-31,458**	**-12,814**

Note 30: Leases

Authority as Lessee

Finance Leases:
In addition to the finance lease liabilities recognised as a result of PFI and similar arrangements (detailed in note 29), during 2003/04 a school entered into a leasing agreement totaling £980,000, repayable over 22 years. This represents a long-term liability for the authority and is treated as a finance lease matched by an asset, which is the security for the liability.

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments in respect of the future obligations in respect of finance leases other then those disclosed in Note 29 are:

	31/03/11 £000	31/03/11 £000
Finance Lease Liabilities:		
- payable within one year	**59**	59
- payable in future years	**736**	854
Finance costs payable in future years	**337**	387
Minimum Lease Repayments	**1,132**	1,300

Operating Leases:
The future minimum lease payments due under non-cancellable leases in future years are:

31/03/10 £000		**31/03/11 £000**
	Land and Buildings:	
6,454	Not later than one year	5,580
11,660	Later than one year but not later than five years	5,531
7,880	Later than five year	8,769
25,994		**19,880**

The expenditure on these lease repayments is coded to the corporate Estates, Planning and Management Service and then recharged to front line services as part of the corporate allocations process.

In addition, the council leases a number of items of equipment such as photocopiers. The future lease repayments on these items is as follows:

31 March 2010 £000	Equipment	**31 March 2011 £000**
43	Not later than one year	**50**
792	Later than one year but not later than five years	**466**
19	Later than five year	**7**
854		**523**

Authority as Lessor
Operating Leases
The Authority leases out property under operating leases for the following purposes:

- for the provision of services such as community services, training centres and social care.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2010 £000		**31 March 2011 £000**
1,235	Not later than one year	**1,198**
2,698	Later than one year but not later than five years	**1,717**
5,749	Later than five year	**5,532**
9,682		**8,447**

Note 31: Assets held for sale

Assets Held for Sale (Current) 31/03/10 £'000		**Assets Held for Sale (Current) 31/03/11 £'000**
803	**Balance Outstanding at 1 April**	**1,580**
	Assets newly classified as held for sale:	
1,580	- Property, Plant and Equipment	2,465
0	Revaluation gains	5,625
-803	Assets sold	-1,580
1,580	**Balance Outstanding at 31 March**	**8,090**

Note 32: Inventories:

	Consumables & Materials		Work in Progress		Landfill Allowance		**Total**	
	2009/10 £000	**2010/11 £000**	2009/10 £000	**2010/11 £000**	2009/10 £000	**2010/11 £000**	2009/10 £000	**2010/11 £000**
Balance Outstanding at the start of year	789	**1,057**	58	**14**	5,486	**131**	6,333	**1,202**
Purchases	2,873	**2,359**	16		229	**203**	3,118	**2,562**
Recognised as an expense in the year	-2,592	**-2,195**	-60				-2,653	**-2,195**
Written off balances	-12			**-14**	-5,584	**-199**	-5,596	**-213**
Balance outstanding at year-end	1,057	**1,221**	14	**0**	131	**135**	1,202	**1,356**

Note 33: Debtors

The amounts shown below and on the face of the balance sheet include amounts paid in advance.

31/03/10 £000			**31/03/11 £000**
12,380		Central government bodies	**11,117**
32,722		Other local authorities	**39,041**
6,424		NHS bodies	**4,302**
26		Public corporations and trading funds	**124**
41,668		Other entities and individuals	**42,745**
93,220		**Total**	**97,329**
	Less:	Provision for Bad Debts	
-7,615		- Social Services	**-6,302**
-560		- Other Services	**-854**
-4,668		- Council Tax Arears	**-4,674**
80,377			**85,499**

Note 34: Cash and cash equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31/03/10 £000		**31/03/11 £000**
-43,797	General Account	**-29,724**
40,021	Call Accounts	**80,176**
20,007	Money Market Funds	**27,519**
16,231	**Total Cash and Cash Equivalents**	**77,971**

Note 35: Creditors

31/03/10 £000		**31/03/11 £000**
-55,802	Central government bodies	**-37,995**
-29,009	Other local authorities	**-26,388**
-2,082	NHS bodies	**-3,179**
-206	Public corporations and trading funds	**-388**
-97,327	Other entities and individuals	**-97,904**
-184,426	**Total**	**-165,854**

Note 36: Financial Instruments

Categories of financial instruments

The following categories of financial instrument are carried on the Balance Sheet:

	Long-Term		Current	
	31/03/10 '£000	**31/03/11 '£000**	31/03/10 '£000	**31/03/11 '£000**
Investments				
Loans & receivables	134	**111**	67,912	**60,455**
Available for sale financial assets	130	**130**		
Total Investments	264	**241**	67,912	**60,455**
Debtors				
Financial assets carried at contract amounts*	619	**560**	80,377	**85,499**
Total Debtors	619	**560**	80,377	**85,499**
Borrowings				
Financial liabilities at amortised cost	305,655	**306,348**	16,647	**15,073**
Total Borrowings	305,655	**306,348**	16,647	**15,073**
Other Long-term Liabilities				
PFI and finance lease liabilities	22,045	**32,253**		
Total Other Long-term Liabilities	22,045	**32,253**		
Creditors				
Financial liabilities carried at contract amounts			184,426	**165,854**
Total Creditors	0	**0**	184,426	**165,854**

* adjusted for provision for bad debt

Income, expense, gains & losses

	2009/10				2010/11			
	Financial Liabilities	Financial Assets			Financial Liabilities	Financial Assets		
	Measured at amortised cost	Loans & receivables	Available for sale financial assets	TOTAL	Measured at amortised cost	Loans & receivables	Available for sale financial assets	**TOTAL**
	£000	£000	£000	£000	£000	£000	£000	**£000**
Interest expense	15,525			15,525	14,939			**14,939**
Impairment Losses		2,054		2,054		376		**376**
Total expense in Surplus or Deficit on the Provision of Services	15,525	2,054	0	17,579	14,939	376	0	**15,315**
Interest Income		-3,147		-3,147		-1,418		**-1,418**
Interest Income accrued on impaired financial assets		-1,132		-1,132		-1,109		**-1,109**
Discount on Rescheduling	1,260			1,260				
Total income in Surplus or Deficit on the Provision of Services	1,260	-4,279	0	-5,539		-2,527	0	**-2,527**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at the balance sheet date for loans from the PWLB
- the same procedures and interest rates as for PWLB loans has been used for non-PWLB loans as this provides a sound approximateion for the fair value of these instruments.
- no early repayment or impairment is recognized
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2010		**31 March 2011**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£000	£000	**£000**	**£000**
Financial Liabilities	322,302	338,404	**321,421**	**348,592**

The fair value is greater than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates

available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2010		**31 March 2011**	
	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
	£000	£000	**£000**	**£000**
Loans & receivables	67,912	67,912	**60,455**	**60,455**
Long-Term debtors	134	134	**111**	**111**

All the investments held by the authority at the 31 March 2011 are due to mature within one year, therefore the fair value is equal to the carrying amount, which includes accrued interest.

Available for sale assets are carried on the Balance Sheet at their fair value. The authorities available for sale assets consist of shares in Surrey careers Service Ltd and Babcock 4S Ltd. These shares are not traded in an active market and so the fair value is taken to be the cost less impairment, ie the current nominal value of the shares.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum for exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least semi annually to the Audit & Governance Committee.

These policies are implemented by the Pension Fund and Treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria. Additionally, sovereign ratings are also used to determine creditworthiness of countries, allowing only banks from AAA countries to be listed.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Estimated maximum exposure to default		Amount	Historical experience of default	Adjustment for market conditions	**Estimated maximum exposure to default**
£000s 31 March 2010		£000s 31 March 2011	% 31 March 2011	% 31 March 2011	**£000s 31 March 2011**
	Deposits with banks and financial institutions	(a)	(b)	(c)	**(a * c)**
0	AAA rated counterparties*	50,500	0.00%	0.00%	**0**
18	AA rated counterparties	100,000	0.03%	0.03%	**30**
16	A rated counterparties	0	0.08%	0.08%	**0**
	Other counterparties**	20,000			
12,843	Trade debtors***	97,329			**11,830**
12,877	Total	170,500			**11,860**

* £23m with other Local Authorities who do not have credit ratings but are backed by central government.

** the other counterparties consist of £20m in Icelandic institutions whose credit ratings have reduced since the date of investment (see Note 42 for impairment details)

*** a single percentage has not been applied for trade debtors. The bad debt provision is calculated using various percentage rates of possible default depending on the type and age of the outstanding debt. The estimated maximum exposure to default equates to the total bad debt provision (see note xx)

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £20m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired – see Note xx

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

All the Council's deposits are placed through the London Money Markets, and invested with institutions in the UK only. The current Treasury Management Strategy forbids any investment outside of the UK, unless the sovereign rating is AAA with all 3 agencies.

The Council does not generally allow credit for its trade debtors, such that £17.2m of the £97.3m balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2010 £000s		**31 March 2011 £000s**
2,848	Less than six months	**4,565**
2,356	Six months to one year	**2,716**
9,692	More than one year	**9,938**
14,896	Total	**17,219**

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk
The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2010 £000		**31 March 2011 £000**
15,984	Less than one year	**14,239**
0	Between one and two years	**0**
67,983	Between two and five years	**67,983**
9,564	Between five and 15 years	**9,564**
227,682	More than fifteen years	**227,682**
321,213	Total	**319,468**

The maturity analysis of financial assets is as follow, this includes some investments which are classed on the balance sheet as cash equivalents:

	31 March 2010 £000	**31 March 2011 £000**
Less than one year	129,500	**170,500**
Between one and two years	0	**0**
Between two and three years	0	**0**
More than three years	0	**0**
Total	129,500	**170,500**

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

Market risk
Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing will fall;

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Treasury Management team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

All the borrowing currently undertaken by the Authority is at a fixed interest rate, with the exception of the monies held for Surrey Police Authority and some Trust Funds which is classed as short-term borrowing and the fair value is assessed to be the amount outstanding. All the investments held are also at fixed rate with the exception of the shares for which we receive a dividend based on performance of the company, which is not influenced by interest rates. The estimated recoverable amount on the fixed rate investments held by the authority are not deemed to be impaired by the change in the fair value and therefore there is no impact on the Income & Expenditure Account or the STRGL of an interest rate rise.

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds. However, the Council does have holdings to the value of £130k in two companies (see note xx). These companies are not quoted and the shares are held at book value. The Council is therefore not exposed to losses arising from movements in the prices of the shares although if either of the companies were to go into liquidation there is a risk that the shares would become worthless. As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to these risks.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 37: Icelandic Investments

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The council had £20m deposited across 2 of these institutions, with varying maturity dates and interest rates.

Investments included in current assets in the balance sheet include the following investments that have been impaired because of the financial difficulties experienced by the Icelandic Banks, as follows:

Institution	Investment	Interest Rate	Maturity Date	Total accrued interest	Total Impairment	Carrying Amount 31/03/2010
	£000s			£000s	£000s	£000s
Glitnir	5,000	6.25%	31 Oct. '08	1,070	-857	5,213
Glitnir	5,000	6.20%	31 Oct. '08	1,062	-850	5,212
Landsbanki	10,000	5.9%	31 Mar '09	1,548	-3,558	7,990

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. In the case of Glitnir, as the full amount of principle is expected to be recovered together with some interest and the investments are carried at amortised cost, this results in a carrying value greater than the amount of the original loan.

Prior to 2010/11, the Balance Sheet showed the impact of the impairment of the Icelandic investments in the Financial Instruments Adjustment Account. Regulations issued in March 2009 allowed the council to defer the impact of the impairment loss on the General Fund, transferring such amounts to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practices and in accordance with statutory regulations. Under these regulations the council must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011. This transfer has occurred during 2010/11, although the impact has been mitigated by a transfer from the Financial investment earmarked reserve.

All monies with these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors, such as the authority, will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the council considers that it is appropriate to consider an impairment adjustment for the deposits. An impairment of £2.836m was recognised in 2008/09 and a further impairment of £2.053m made in 2009/10. This impairment has been reviewed at 31 March 2011 as outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is possible that further adjustments will be made to the accounts in future years.

Both Glitnir and Landsbanki are Icelandic entities. The impairment of the investments in these institutions is based on the assumption that local authority deposits with the bank have priority status, and will therefore be repaid ahead of any creditors that do not have such status.

The review of the impairment of these investments at 31 March 2011 has been calculated on the basis that priority status for Glitnir will be confirmed and a 100% repayment received in 2011/12. For Landsbanki it is expected that with priority status 94.85% will be received between December 2011 and December 2018.

Reykjavik District Court issued a verdict on 1 April 2011 confirming the local authorities' claims qualified for priority status under Article 112 of the Icelandic Bankruptcy legislation.

These decisions are being appealed to the Icelandic Supreme Court, however the current court ruling confirms the priority status assumed in these impairment calculations.

Deposits with Glitnir and Landsbanki were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in Icelandic Krona, the sterling value received by authorities will depend on the prevailing exchange rate at the time and may therefore be higher or lower than the equivalent value on 22 April 2009. Many of the assets held by the banks are held in currencies other than Icelandic Krona. Given the level of uncertainty about the impact of currency fluctuations on the winding up of the banks and the sterling value of the sums eventually repaid the evaluation of impairment is based on the original sterling values of the investments.

Accounting entries
The entries recognised in the Comprehensive Income and Expenditure Statement in 2010/11, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered. The movement on the carrying value of the investments during 2010/11 is as follows:

Institution	Carrying Amount 31/03/2010 £000	Accrued Interest 2010/11 £000	Impairment Adjustment £000	Carrying Amount 31/03/2010 £000
Glitnir	5,053	316	-156	5,213
Glitnir	5,053	313	-154	5,212
Landsbanki	7,607	449	-66	7,990
	17,713	1,078	-376	18,415

Note 38: Provisions

	Insurance Liabilities £000	Landfill Usage Liability £000	Equal Pay £000	Travel lump sum £000	Redundancy £000	Accumulated Absences £000	**Total Provisions £000**
Balance at 1 April 2010	6,373	131	2,160	1,244	62	17,360	**27,330**
Additional provisions made in 2010/11	0	135	0	1,204	1,691	13,774	**16,804**
Amounts used in 2010/11	0	-131		-1,161	-52	-17,360	**-18,704**
Unused amounts reversed in 2010/11			-630				**-630**
Balance at 31 March 2011	6,373	135	1,530	1,287	1,701	13,774	**24,800**
Current Provisions	0	135	510	1,287	1,701	13,774	**17,407**
Non-Current Provisions	6,373	0	1,020	0	0	0	**7,393**
	6,373	135	1,530	1,287	1,701	13,774	**24,800**

The provision for insurance liabilities represents the assessed future claims on the county council's self-insurance fund. The fund was established to enable the county council to

move towards self-insurance and is now considered to fully cover service risks. The fund and its liabilities are subject to review by the council's actuaries. The last review occurred during 2009. The county council also has an earmarked reserve to cover any unknown future liabilities.

The liability for landfill usage is described in Note 11.

In July 2005 the council introduced new pay and conditions arrangements for its employees in respect of equal pay and harmonisation legislation. These arrangements were fully implemented by July 2006. The 2006/07 accounts made a provision to cover the cost of any harmonisation claims. However, the council recognises that there is also a potential risk that claims may be made for a period of up to six years, which has been assessed to be £1.5m.

The council has a policy of making travel lump sum payments to qualifying staff, who claim the allowance a year in arrears. A provision of £1.3m has been made in the 2010/11 statement of accounts to cover the estimated cost of this claim.

A provision has been made for £1.7m to cover the cost of redundancies which have been agreed during 2010/11 but for which the expenditure will not be incurred until 2011/12.

Note 39: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

Note 40: Unusable Reserves

31 March 2010 £000		**31 March 2011 £000**
-191,371	Revaluation Reserve	**-225,683**
-621,770	Capital Adjustment Account	**-567,419**
3,623	Financial Instruments Adjustment Account	**37**
1,239,152	Pensions Reserve	**814,760**
-1,935	Collection Fund Adjustment Account	**-4,699**
17,360	Accumulated Absences Account	**13,774**
445,061	**TOTAL UNUSABLE RESERVES**	**30,770**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000		2010/11 £000	2010/11 £000
-122,521	**Balance at 1 April**		-191,371
-72,365	Upward revaluation of assets	-43,393	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,999	
-72,365	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		-41,394
3,515	Difference between fair value depreciation and historical cost depreciation	7,082	
3,515	Amount written off to the Capital Adjustment Account		7,082
-191,371	**Balance at 31 March**		**-225,683**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000		2010/11 £000	2010/11 £000
-645,088	**Balance at 1 April**		**-621,770**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
76,450	Charges for depreciation and impairment of non-current assets	82,261	
18,356	Revaluation losses on Property, Plant and Equipment	51,548	
2,717	Amortisation of intangible assets	2,379	
6,597	Revenue expenditure funded from capital under statute	25,590	
-136	Deferred Income	-143	
-25	Donated Assets credited to the Comprehensive Income and Expenditure Statement	-31	
803	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,580	
104,762			163,184
-3,511	Adjusting amounts written out of the Revaluation Reserve		-7,082
101,251	Net written out amount of the cost of non-current assets consumed in the year		156,102
	Capital financing applied in the year:		
-13,245	Use of the Capital Receipts Reserve to finance new capital expenditure		-5,094
-33,185	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing		-61,417
-4,460	Application of grants to capital financing from the Capital Grants Unapplied Account		-2,699
-22,852	Statutory provision for the financing of capital investment charged against the General Fund		-26,284
-4,191	Capital expenditure charged against the General Fund		-6,257
-621,770	Balance at 31 March		**-567,419**

Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The balance on the financial instrument adjustment account at the 31 March 2011 is in relation to the loss of interest on soft loans issued by the authority and the impairments of the council's investment in Icelandic institutions.

2009/10 £000		**2010/11 £000**
2,685	Balance at 1 April	**3,623**
17	Adjustment for soft loans	
921	Impairment of Icelandic Investments	**376**
938	Amount by which financing costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**376**
	Reversal of previous statutory regulation appropriation	**-3,962**
3,623		**37**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		**2010/11 £000**
729,450	Balance at 1 April	**1,239,152**
489,556	Actuarial gains or losses on pensions assets and liabilities	**-250,932**
87,095	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Account	**-104,649**
-66,949	Employer's pensions contributions and direct payments to pensioners payable in the year	**-68,811**
1,239,152	**Balance at 31 March**	**814,760**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31/03/10 £000		**31/03/11 £000**
-908	Balance at 1 April	**-1,935**
-1,027	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**-2,764**
-1,935	**Balance at 1 April**	**-4,699**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31/03/10 £000		31/03/11 £000	**31/03/11 £000**
13,640	Balance at 1 April		**17,360**
-13,640	Settlement or cancellation of accrual made at the end of the preceding year	-17,360	
17,360	Amounts accrued at the end of the current year	13,774	
3,720	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**-3,586**
17,360	**Balance at 1 April**		**13,774**

Note 41: Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		**2010/11 £000**
-4,044	Interest Received	-1,122
16,317	Interest Paid	15,315
0	Dividends received	-1,155
12,273		13,038

Note 42: Investing activities

2009/10 £000		**2010/11 £000**
-114,623	Purchase of property, plant & equipment and intangible assets	-104,590
2,748	Proceeds from the sale of property, plant & equipment and intangible assets	2,508
-1,995	Other capital income	
163,065	Proceeds from short-term and long-term investments	7,480
6,139	Other receipts from investing activities	59
55,334		-94,543

Note 43: Financing activities

2009/10 £000		**2010/11 £000**
-2,028	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-4,380
-129,418	Repayment of short & long term borrowing	-881
-131,446		-5,261

Note 44: Contingent liabilities

Potential liabilities are not required to be incorporated within the accounts where there is no certainty that an actual liability will arise or where the extent of an obligation cannot be measured with sufficient reliability. At 31 March 2011, the Authority had three material contingent liabilities:

- The county council arranged for consultants to undertake a desk review of the potential liabilities at closed landfill sites currently under county ownership. This review reported the potential liability from £400k, for minimum work, through to intervention (£4.3m to £5.9m) and best practice (£24.6m to £33.4m). These liabilities would occur if the local district councils, who are the enforcing authorities, oblige the council to take action. The council would seek to share any eventual liabilities with those in ownership of the sites when they were landfilled.
- In 1999 the council entered into a PFI for waste disposal. By the end of 2010/11 £101.8m has been received in PFI credits. In return, the council has an obligation to invest in waste disposal infrastructure. A large proportion of this obligation is still to be delivered. If these obligations are not met then a liability will arise to repay some, or all, of the PFI grant received to date.
- In October 2008 two Icelandic banks in which the council had short term investments totalling £20m went in to administration. The council has set aside an earmarked reserve of £8m to cover any losses on these investments. The council expects to be a priority status as a creditor and will recover the majority of the investment. If the council is not a priority creditor, then the potential loss could be greater than the amount held in reserve.

Note 45: Contingent assets

In a similar way potential assets are not incorporated within the accounts where there is no certainty that an actual benefit will arise, where the extent of an obligation cannot be measured with sufficient reliability, or where it is not wholly within the council's control. At 31 March 2011, the Authority had no material contingent assets.

Note 46: Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Acting Assistant Director of Finance & Strategic Assets on XX September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Trust Funds

The County Council administers 47 Trust Funds. The nature and amount of these funds has been summarised and included below. These funds do not represent assets of the County Council and are therefore not included in the Council's Balance Sheet.

Accounts for the Year ended 31 March 2011

Overall general balances	Total 2009/10 £000	**Total 2010/11 £000**
Balance at 1 April	3,569	**4,152**
Add income for year	671	**261**
	4,297	**4,413**
Less expenditure for year	145	**234**
Balance at 31 March	4,152	**4,179**
Number of funds	47	**47**

Balance Sheet at 31 March 2010

	Total 2009/10 £000	**Total 2010/11 £000**
Assets:		
Investments	2,917	**3,110**
Cash	1,235	**1,069**
	4,152	**4,179**
Liabilities:		
Creditors	0	**0**
Fund Balance	4,152	**4,179**

Represented by Fund balances

The authority acts as trustee for the following categories of funds:

Educational purposes including prizes	958	**817**
Personal client funds in Children's Service	50	**75**
Recreational facilities in Runnymede (Abbey Barn)	67	**68**
Domestic Sciences (Henrietta Parker Centre)	852	**874**
Lawson Bequest	110	**111**
Lingfield Guest House Trust (building upkeep and maintenance)	415	**444**
Road maintenance in Long Ditton	22	**22**
Music and the arts (Robert Phillips Trust - as joint trustee)	1,678	**1,767**
	4,152	**4,179**
Total market value of investments	3,509	**3,647**

Glossary of Terms

Accounting code of practice
The Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (SORP) aims to achieve consistent financial reporting between all English local authorities. It is based on generally accepted accounting standards and practices.
The Best Value Accounting Code of Practice (BVACOP) aims to achieve consistency and comparability in the presentation of local authority service expenditure.

Accruals
Accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. The inclusion of debtors, creditors and deprecation are examples of accruals.

Assets held for sale
Properties that are being actively marketed and sale is expected in the next 12 months.

Assets under construction
Assets not yet ready for use. This could be new building works or road construction.

Audit Commission
The Audit Commission is an independent body responsible for ensuring that public money is used economically, efficiently and effectively. The Commission's Operations Directorate are the council's current external auditors.

Balances
Balances are maintained for future years' budgets and to provide a cushion against expenditure being higher or income lower than expected.

Contributions to balances can be either a planned contribution from the revenue budget or a transfer of any revenue surplus at the year-end. The maintenance of an appropriate level of balances is a fundamental part of prudent financial management.

Capital expenditure
Expenditure on the acquisition or enhancement of a fixed asset. The cost of maintaining an asset at its current value is revenue expenditure.

Capital adjustment account
A balance sheet item, unique to local authority accounting, that is central to the capital accounting regime. The balance on the account cannot be used, but reflects the extent to which, to date, capital funding of assets has preceded depreciation of those assets.

Capital financing requirement
This represents the council's underlying need to borrow for capital purposes. The year on year change will be influenced by capital expenditure in each year.

Capital receipts
Proceeds from the sale of fixed assets. The council earmarks capital receipts to finance future capital expenditure.

Chartered Institute Of Public Finance And Accountancy (CIPFA)
Professional accountancy institute that sets the standards for the public sector. CIPFA publishes the accounting codes of practice for local government.

Community assets
Assets that the local authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal. Examples include the countryside estate and historic assets that are not used in service delivery.

Contingent liabilities
A contingent liability is a possible loss or charge, which may arise in the future if certain events take place. These events may not be wholly within the control of the authority. Contingent liabilities are not recognised in the accounts but are disclosed by way of a note if there is a possible obligation that may require payment or a transfer of economic benefits.

Corporate and democratic core
The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. It has two elements, corporate management and democratic representation and management. The activities within the corporate and democratic core are in addition to those, which would be incurred by a series of independent, single purpose bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

Creditors
Money owed by the council that is due immediately or in the short term. Creditors are an example of the concept of accruals.

Current service cost (pensions)
The increase in the present value of local government and firefighter pension scheme's liabilities expected to arise from employee service in the current period.

Curtailment costs (pensions)
For a defined benefit scheme (such as LGPS and firefighters) an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors
Money that is due to the council but which has not yet been received. Debtors are an example of the concept of accruals.

Deferred charges
Capital expenditure, which does not give rise to an asset owned by the council. Examples include capital expenditure on foundation and aided schools.

Defined benefit scheme (pensions)
A pension or other retirement benefit scheme that defines the employees benefits and is independent of contributions and investment performance. Defined benefit schemes may be funded (local government pension scheme) or un-funded (firefighters pension scheme).

Depreciation
A charge to the revenue account to reflect the consumption or use of a fixed asset in service delivery. There is a corresponding reduction in the value of the fixed asset.

Fair value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial instruments
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial instrument adjustment account
An accounting reserve. The balance on this account allows for the differences in statutory requirements and proper accounting practices for borrowings and investments.

Financial year
The year of account, which runs from the 1 April to the following 31 March.

Fixed assets
Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Government grants
Financial assistance from central government, or its agents, in the form of cash transfers in return for compliance with certain conditions. These grants may be capital or revenue in nature.

Historic cost
The estimated value of an asset on the balance sheet based upon its original purchase cost, less depreciation to date.

Infrastructure assets
Fixed assets, such as highways and footpaths, that are inalienable and have no resale value.

Intangible assets
Intangible assets yield benefits to the council for more than one year but are without physical form. Those shown on SCC's balance sheet relate to software licences and the development of website technology. Intangible assets are recorded at costs and amortised over their estimated useful economic life.

Interest cost (pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment properties
An interest in land and/or buildings, which are held solely for their investment potential/rental income and do not support the strategy or service obligations of the local authority.

Leasing
This facility is a means to obtain the use of vehicles, plant and computer equipment without physically owning these items. Leases may be either operational, where the asset reverts to the lessor at contract end; or finance leases, where the assets passes to the lessee.

Minimum revenue provision (MRP)
The council is required by statute to set aside a minimum revenue provision for the repayment of external debt. This is charged to the revenue account at 4% of the council's capital financing requirement.

Net current replacement cost
A method of valuation that estimates the cost of replacing or recreating an asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net realisable value
A method of valuation that estimates the open market value of an asset in its existing use (or open market value in the case of non-operational asset), less the expenses required realising the asset.

Non-distributable costs
Non-distributed costs are costs relating to retirement and unused and unusable shares of assets. These cannot be charged to current service revenue accounts

Non domestic rate income
A levy on businesses based on national 'rateable value' of the premises occupied. NDR is collected by the district councils in line with national criteria, paid into a national pool and then redistributed to all local and police authorities on the basis of population.

Past service cost (pensions)
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precepts
An amount levied on another public body in respect of the council tax. The county council collects its council tax share from district councils through a precept, and pays the Environment Agency for land drainage.

Provisions
Amounts set aside for any liabilities or losses that are likely to be incurred, but which are uncertain as to the amounts or the dates on which they will arise.

Reserves
These are amounts set aside for specific purposes. The council has discretion in whether it wishes to set aside these amounts as distinct from sums set aside in provisions. Movements on reserves are therefore charged or credited to the revenue account after the net cost of service provision has been determined. Revenue reserves are classified as earmarked reserves or as unallocated reserves or balances.

Revaluation reserve
The revaluation reserve is an accounting reserve that accumulates the gains in the value of the fixed assets held by the authority as of April 2007. The balance on this reserve represents the amount by which the current value of fixed assets carried in the balance sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Revenue expenditure
Expenditure incurred on day to day running costs and confined to accounts within one financial year.

Revenue support grant
The principal way that central government funds local government revenue expenditure. This grant is non-specific and is based upon the government's assessment of how much a local authority should spend to provide a common level of service.

Soft loans
Loans made by the authority at less than the prevailing market rate of interest. The SORP requires the discounted interest rate to be recognised as a reduction in the fair value of the asset when measured for the first time and a charge to be made to the income & expenditure account to represent the interest forgone.